Stockholders'
Rights

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STOCKHOLDERS' RIGHTS

1921 - 1925

by

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M. B. A. THESIS

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TABLE OF CONTENTS

CHAPTER I

INTRODUCTION

A "privileged subscription" or "right" as it is commonly called, may be defined as "the privilege given by a corporation to its stockholders to subscribe to additional stock, and sometimes bonds,[1] at a price lower than the current market price of the stock under consideration."[2]

Corporations are required by law to offer stock to the existing stockholders before it can be offered at general subscription, and this method is frequently used in financing the capital requirements of a corporation when it is not desirable to increase its fixed charges through the issuance of bonds, or when such bonds can be issued only at high interest rates. It is also a means whereby a surplus may be capitalized.

This method of raising capital and distributing profits is frequently utilized by many corporations as can be determined from an examination of the following table which contains a few of the many corporations issuing new stock during the past five years.[3]

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1. Of the 132 rights offered during the period 1921-1925, 11 were for bonds.
2. S. S. Huebner, The Stock Market, page 267.
3. Since 1910 the privileged subscriptions of industrials have been more numerous and important than those of railroads.

Name of Company	No. of times Rights were issued	Owner of 100 shares in 1921 would have Dec. 31, 1925
American Tel. & Tel. Co.	3	172.8 Common
Ajax Rubber Co.	2	236 "
Brooklyn Edison Co.	4	393 "
Consolidated Gas N.Y.	2	144 "
Detroit Edison Co.	3	165 "
Famous Players-Lasky Co.	1	150 "
Foundation Co.	3	133 "
Illinois Central R.R.	4	110 " & 32 Preferred
International Tel. & Tel. Co.	2	200 "
Phillips Petroleum Co.	3	195 "
Public Service Corp. N.J.	5	134 " & 22 Preferred
Replogle Steel Corp.	2	200 "
Westinghouse E. & M.	2	144 "

In offerings of new stock by a corporation, the old stockholders will have the privilege of subscribing to the new stock in proportion to their holdings under certain specified conditions.

A typical example of the announcement reads:[4]

"Each stockholder of record May 20th will be entitled to subscribe for new stock in the proportion of one (1) share of new stock for each five (5) shares of stock then held by him. Right to subscribe will expire July 20th.

Subscriptions must be made as follows:
(a) Either in full on or before July 20th or (b) in three installments as follows: (1) July 20, $10; (2) Sept. 1, $40; (3) Nov. 7, $50.

Subscribers who have paid the first installment of $10 on July 20th may elect to pay the entire balance before Sept. 1st. The net balance payable on each share will be $89.18, being $90, less on allowance of 82 cents for interest on the 2 payments from their due dates to Sept. 30, 1921, the end of dividend quarters, at the dividend rate of 9% per annum.

Stock will be issued in each case when subscriptions are paid in full and will participate in dividends paid after date of issuance."

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4. The American Telephone and Telegraph Co. announcement in the Commercial and Financial Chronicle, May 14, 1921.

The time over which the right of subscription extends is limited in this particular instance to two months. This period varies considerably, but is usually approximately several months; there are, however, a few instances of longer periods where the time covers over a year.[5]

In the above example, and such is usually the case, the stockholders are permitted to pay for the new stock in installments covering a considerable period of time and interest is allowed on all payments preceding the actual delivery of the stock.

The statement stockholders of record of May 20th, means that the privilege of subscribing to the new stock is given to those as they are registered on the company's books at the close of business on that date. Therefore, up to and including May 20th the stock sells with the right to subscribe attached or "rights on". While on May 21st the right no longer attaches to the stock and is quoted "ex-rights".

The price at which the subscriber may buy the new stock is, of course, stated in the announcement. It is evident that this price must be less than the current market value for as A. S. Dewing has written:[6] "It is only by the special inducement of a low price that a corporation can be sure of securing capital from its own stockholders, for the loyalty of the great body of stockholders to their corporation does not

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5. Public Service Corporation of New Jersey extended the period from March 1924 to May 1925.

6. A. S. Dewing, The Financial Policy of Corporations, Volume IV, page 202.

extend to making pecuniary sacrifices; there must be the compulsion of permanent self-interest."

In adhering to this principle there are four alternatives available to a corporation in issuing stock, namely, at par, above par, below par, and free. When giving stock free, the distribution usually takes the form and is called a stock dividend, and is, therefore, not strictly a right; however, a stock dividend may in reality be termed a right issued free.

At par, is the most frequently found price at which stock is offered. The offerings at a figure below par have been comparatively few and the same may be said as to offerings at a figure above par.[7] The latter, however, are more numerous than the former, however, due no doubt to the fact that in many states corporations are not permitted to sell their stock at less than par.

It may be said that usually when a company has both common and preferred stock outstanding, both classes of stockholders are permitted to subscribe to new offerings. Occasionally, the privilege is also extended to bondholders.

When corporations give their stockholders a privilege to subscribe they usually send to each holder of record a statement of the number of new shares to which he has a right to subscribe. These detachments are called rights or warrants and are assignable. Consequently rights are bought

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7. Westinghouse E. & M. Co. issued new stock, par $50, at $52.50 in 1923, and at $53. in 1924.

and sold on the stock market in the same manner as stock certificates are traded in. Exchanges usually permit minimum fluctuations between prices of 1/32 and occasionally 1/64 instead of the customary 1/8.

Care must be observed in the use of the term "right" as it has a different meaning on various exchanges. In New York a right is the fractional privilege that belongs with each <u>old</u> share, consequently a stockholder has as many rights as he has shares. In Philadelphia a right is the privilege of buying a <u>new</u> share. For example if the stockholders of a certain corporation, whose stock is listed on both exchanges, are permitted to subscribe to one new share at par for every five shares held, the New York Stock Exchange would consider a holder of five shares an owner of five rights, while in Philadelphia he would have one right. The Philadelphia right is, of course, worth five times as much as the New York right.

The market price of rights depends upon the advantage of securing the stock by subscription over buying it in the open market. Their market value will depend upon how much the market price is above the subscription price, or the price to be paid for the new shares. This mathematical or theoretical value of rights may be determined by the following methods: The American Telephone and Telegraph Company offered new stock at par ($100) at the ratio of 1 new share for each 5 shares (ie) to the extent of 20% of the shares already held. The stock was selling at the time of the announcement at 125½ a share.

I. The formula[8] $V = \dfrac{m - s}{r \text{ plus } 1}$

r = the no. of shares carrying 1 right.
s = the subscription price.
m = the market value of the old stock.
V = theoretical or mathematical value.

This gives:

$$V = \frac{125\frac{1}{2} - 100}{5 + 1} = \$4\tfrac{1}{4}$$

II. Second Method[9]

5 shares of old stock at 125½ per share	- $627.50
1 new share at 100	- 100.00
Total cost of 6 shares (old and new shares combined)	- 727.50
Average cost of 1 share (727.50 ÷ 6)	- 121.25

Then

Price of old stock	= $125.50
Average price of all the stock (old and new combined)	= 121.25
Value	$ 4.25

III. Third Method[10]

The formula: $V = \dfrac{P \times R}{1 + R}$

P = premium on the old shares
R = Percentage of increase.

Applying this:

$$V = \frac{25\frac{1}{2} \times .20}{.20 + 1} = \frac{51.}{1.2} = \$4.25$$

The market price of a right is usually lower than the mathematical value, due to the operations of arbitragers

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8. A. S. Dewing, The Financial Policy of Corporations, Volume IV, page 210.

9. S. S. Huebner, The Stock Market, page 270.

10. Wm. H. Lough, Corporation Finance, Chapter XXIV, page 346.

in rights, who naturally will buy them only if the purchase of the rights allows them to secure the new stock at a figure lower than its general market price. An illustration will show the method of arbitraging in rights. The arbitrager buys 500 American Telephone and Telegraph Company rights at $3.00 per right. Immediately he sells shore 100 shares of American Telephone and Telegraph receiving the market price of $125 per share or $12,500. The 500 rights cost $1,500 and these enable him to receive 100 shares at par or $10,000 plus the cost of the rights or $11,500, the cost of each share to him will thus be $115 or $10 less than he sold them for. He has made a profit of $1,000 less his expenses. This sort of operation can only be profitable when the right is selling at less than its mathematical value and since these arbitragers are the chief buyers of rights it is a natural result that the price be lower, for otherwise there would be few buyers. In other words, were the mathematical price maintained at all times the subscription to new stock by means of the purchase of rights would be exactly equal to the price of the stock bought on the open market, yet the purchase of stock through rights involves more trouble. Consequently, most people would prefer to buy the stock outright rather than through what they might consider the troublesome method of subscription.

CHAPTER II

RESULTS IF ALL SUBSCRIPTIONS WERE TAKEN AND HELD

A stockholder receiving the privilege of buying a certain amount of new stock at a figure less than the market price may benefit from this right in one of two ways: (1) By making a new investment on the favorable terms; or (2) take his profit at once, this profit amounting to the difference between the market price and the subscription price.

Taking a number of cases where rights were issued beginning with the year 1921 and continuing until the end of 1925, it will be the writer's purpose to show the results that would have been attained.

The first method, namely, taking the opportunity to aequire a cheap investment, will be first considered. For example, in August 1922, the American Telephone and Telegraph Company increased its capital stock and gave to its stockholders the privilege of buying the new stock at par ($100) in any amount up to 20% of their holdings. Thus if 100 old shares were owned at that time, the holder was given the opportunity to buy 20 shares of new stock at par. The stock at the time was selling on the market at $125.50, and during the six months following, the average price was $123.25. As this stock was then paying a nine per cent dividend, a stockholder could get for $100 a 9% stock which was thus receiving much more than the usual market return on his investment.

Undoubtedly, in the majority of cases, the greatest profits from rights have been secured when the stockholder has kept his investment intact and taken advantage of every right to subscribe offered him. As B. B. Burgunder[11] has written, "If he sells his rights in the open market when the next issue is made, he can only receive the fixed percentage upon his original holdings and thereby loses the real profit. It is needless to say that any increase of capitalization is based upon the total last issue and so if the holder takes every subscription privilege that is offered he will continually get rights upon rights." An illustration of this principle is as follows: The American Telephone and Telegraph Company has increased its capitalization three times since 1920. If 100 shares had been purchased in 1921 and all the rights taken up to the present time, a holder would have:

Original Purchase in 1921	100 shares
20% increase in 1921	20 shares
Total shares in 1921	120 shares
20% increase in 1922	24 shares
Total shares in 1922	144 shares
20% increase in 1924	28.8 shares
Total shares end of period	172.8 shares

But if the holder had sold each right he would have disposed of the privileges of 60 more shares, as each time

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11. B. B. Burgunder, The Declaration and Yield of Stockholder's Rights, Annals of the American Academy of Political and Social Science, May 1910, page 560.

he would have received rights to the extent of 20% of his original 100 shares only.

Not only is the number of shares secured increased with a corresponding increase in the return the holder receives due to the dividends received on the additional shares but in addition the subsequent appreciation of the market value of the American Telephone and Telegraph Stock made the shares more valuable than when they were issued. It is, of course, possible for a depreciation in the market price of the stock to occur, but in this study these instances will be few due to the fact that the stock market has maintained an upward trend during the period under consideration (1921-25).

There are, however, examples where the stock sustained a loss from every right issued. These instances are of especial interest because not only is the original purchase of 100 shares below the price paid, but also the shares obtained through rights are selling below the subscription price paid. The Ajax Rubber Company, for instance, in 1922 offered its stockholders one new share for each old share held, at $12.50 per share. The stock was then selling at $17. in the market. The stock on December 31, 1925, was quoted at $10.50. In addition, no dividends have been paid since 1920 by this company. To show the results if a stockholder had purchased 100 shares of stock the day before it sold ex-rights, the first time during the period 1921-1925 that privileged subscriptions were offered, and had taken every privilege offered during the period the tables on the following pages have been constructed. It must be borne in mind, however, that

American Tel. & Tel. Co. Par $100 Price Dec. 31, 1925 – 142 5/8

Date	Amount	1921	1922	1924	Price original 100 shares	Cost of present holdings	Average Price per share	Average Rate of Dividends	Return on Investment %	Market Value of Holdings Dec. 31, 1925	Market Gain or Loss
May 1921	20% @ 100	120	144	172	$105 3/4	$17775	$103.34	$9	8.71	$24424	$ 6649
Aug. 1922	20% @ 100		120	144	127	17100	118.05	9	7.62	20448	3348
May 1924	20% @ 100			120	127 1/4	14725	122.71	9	7.33	17040	2315

Detroit Edison Par $100 Price Dec. 31, 1925 – 135 5/8

Date	Amount	1923	1924	1925	Price original 100 shares	Cost of present holdings	Average Price per share	Average Rate of Dividends	Return on Investment %	Market Value of Holdings Dec. 31, 1925	Market Gain or Loss
May 1923	25% @ 100	125	156	171	$104	$17500	$102.34	$8	7.81	$23085	$ 5585
May 1924	25% @ 100		125	137	104	14100	102.92	8	7.77	18495	4395
Sept. 1925	10% @ 100			110	151 3/4	16175	147.05	8	5.44	14850	-1325

Brooklyn Edison Par $100 Price Dec. 31, 1925—134

Date	Amount	1922	1923	1924	1925	Price original 100 shares	Cost (of present holdings)	Average Price per share	Average Rate of Dividend	Return on Investment %	Market Value of Holdings Dec. 31, 1925	Market Gain or Loss
Apr. 1922	55% @ 100	155	232	315	394	$105	$39900	$101.26	$8	7.90	$52796	$12896
Jan. 1923	50% @ 100		150	204	255	113 1/2	26850	105.29	8	7.59	34170	7320
May 1924	36% @ 100			136	170	111	18100	106.47	8	7.51	22780	4680
Nov. 1925	25% @ 100				125	154 1/4	17925	143.40	8	5.57	16750	-1175

Consolidated Gas, N.Y. No Par Price Dec. 31, 1925 – 94 1/2

Date	Amount	1922	1923	Price original 100 shares	Cost of present holdings	Average Price per share	Average Rate of Dividend	Return on Investment %	Market Value of Holdings Dec. 31, 1925	Market Gain or Loss
Dec. 1922	20% @ 50	120	144	$62 3/4	$8475	$58.85	$5	8.49	$13588	$5113
Dec. 1923	20% @ 50		120	61 1/8	7112.50	59.27	5	8.38	11340	4228.50

Ajax Rubber Co. No Par Price Dec. 31, 1925 - 10½

Date	Amount	1922	1925	Price original 100 shares	Cost of present holdings	Average Price per share	Average Rate of Dividend	Return on Investment	Market Value of Holdings Dec. 31, 1925	Market Gain or Loss
Jan 1922	100% @ 12½	200	235	$17	$2950	$12.55	None	None	$2467	$-483
Feb 1925	17% @ 10		117	13	1470	12.56	"	"	1228	-242

Foundation Co. No Par Price Dec. 31, 1925 - 158

Date	Amount	March 1925	November 1925	Price original 100 shares	Cost of present holdings	Average Price per share	Average Rate of Dividend	Return on Investment	Market Value of Holdings Dec. 31, 1925	Market Gain or Loss
Mar 1925	20% @ 95	120	133	$108¼	$14350	$107.89	$8	% 7.41	$21014	$6664
Nov 1925	11% @ 125		111	177¼	19000	171.17	8	4.67	17538	-2137

International Tel. & Tel. Co. Par $100 Price Dec. 31, 1925 – 121

Date	Amount	Feb. 1925	Sept. 1925	Price original 100 shares	Cost of present holdings	Average Price per share	Average Rate of Dividend	Return on Investment %	Market Value of Holdings Dec. 31, 1925	Market Gain or Loss
Feb. 1925	50% @ 83	150	200	$ 94	$18550	$92.75	$6	6.46	$24200	$ 5650
Sept. 1925	33⅓% @ 100		133	128½	16150	121.43	6	4.95	16093	–57

Mack Trucks No Par Price Dec. 31, 1925 – 151½

Date	Amount	1924	1925	Price original 100 shares	Cost of present holdings	Average Price per share	Average Rate of Dividend	Return on Investment %	Market Value of Holdings Dec. 31, 1925	Market Gain or Loss
Sept. 1924	20% @ 80	120	144	$100½	$14050	$97.57	$6	6.15	$21816	$7756
July 1925	20% @ 100		120	204	22400	186.66	6	3.22	18180	–4220

Replogle Steel   No Par   Price Dec. 31, 1925 – 15 1/2

Date	Amount	1922	1924	Price original 100 shares	Cost of present holdings	Average Price per share	Average Rate of Dividend	Return on Investment	Market Value of Holdings Dec. 31, 1925	Market Gain or Loss
Apr 1922	50% @ 30	150	200	$32 7/8	$5487.50	$27.43	None	None	$3100	$-2387.50
Aug. 1924	33 1/3 % @ 14		133	13	1762	13.25	"	"	2061	299

Westinghouse E. & M.   Par $50   Price Dec. 31, 1925 – 74 1/8

Date	Amount	1923	1924	Price original purchase 100 shares	Cost of present holdings	Average Price per share	Average Rate of Dividends	Return on Investment	Market Value of Holdings Dec. 31, 1925	Market Gain or Loss
Apr. 1923	20% @ 53	120	144	$58 1/4	$8157	$56.65	$4	% 7.06	$10656	$2499
Apr. 1924	20% @ 52 1/2		120	61	7150	59.56	4	6.72	8880	1730

Phillips Petroleum No Par Price Dec. 31, 1925 – 46½

Date	Amount	Feb. 1924	Aug. 1924	1925	Price original 100 shares	Cost of present holdings	Average Price per share	Average Rate of Dividends	Return on Investment %	Market Value of Holdings Dec 31, 1925	Market Gain or Loss
Feb. 1924	25% @ 30	125	156	195	$42¼	$7527	$38.60	$2	5.18	$9067	$1540
Aug. 1924	25% @ 32		125	156	35¼	5565	35.67	2	5.60	7254	1689
Nov. 1925	25% @ 40			125	44½	5450	43.60	2	4.58	5812	362

any method of dealing with privileged subscriptions must be retrospective by nature. For these privileges come at irregular intervals and there is no means of ascertaining their declaration, for although companies may have made frequent allotments in the past, this can hardly be taken as positive proof that they will continue to pursue such a policy toward their stockholders. These tables of past privileged subscriptions will show the extent to which it has been possible for a stockholder to reduce the average cost of his holdings.

Taking the first table for example in the first column, the date of issuance of the rights is given, in the next the amount in percentages that the stockholder was entitled to subscribe for with the price which he must pay. The next columns show the number of shares he has at the end of each year in which rights were issued. Assuming that he bought 100 shares as an original purchase the day before the stock sold ex-rights, or in this table May 19th, 1921, then he would have received a 20% subscription or 20 shares, making his total holdings at the end of 1921, 120 shares. Another increase of 20% in 1922 gives him 24 additional shares (20% of 120) making the total at the end of 1922, 144 shares. The next and last increase was in 1924 of 20%, also, and 20% of 144 shares gives 28.8 shares, and ignoring fractions, this gives a total holding of 172 shares. If, however, an investor had waited until 1922 when the second privilege was offered before purchasing the original 100 shares, he would, of course,

receive only 20 shares in 1922 and 24 in 1924 making his total 144 shares. While if the original purchase was not made until 1924, only the last subscription would have been received, or 20 shares, totalling 120 shares.

The Price column shows the market quotation for the stock the day before it sold ex rights that year.

The total cost of the holdings at the end of the last year, (in this table, 1924) is shown in the cost column. These figures are obtained by multiplying the 100 shares by the Price, and adding the cost of the shares secured by subscription. Thus the original 100 shares were bought at 105¾ a share or $10,575 and the 72 shares by subscription cost $7,200, giving a total cost of $17,775.

The next column, headed average price per share, is found by dividing this total cost by the number of shares and gives for the first line $103.34; 2nd, $118.05; 3rd, $122.71.

The next line gives the average rate of dividends paid in this case 9% on par $100, or $9 a year for the entire period, the next column gives the rate of return the investor has received per year for the period of his investment. As he has 172 shares bought at the average price of $103.34 per share, his return will be almost equal to the return on par and he therefore enjoys a return far greater than would be obtainable by purchasing the total number of shares on the open market. The figures for this column are found by dividing the annual dividend by the average price of the stock,

i.e., $9.00 ÷ 103.34 equals .087 or 8.7%.

The next column gives the value of the holdings as of December 31, 1925. This figure is arrived at by multiplying the number of shares held, by the market price for that date as given at the head of the table. We are then ready to calculate the market gain or loss which has resulted and these appear in the last column. It is clear that these figures represent an absolute price at a given moment, arbitrarily taken - and gives a static condition, which varies as the price of the stock fluctuates from day to day. The results would differ for every period considered, but as we are concerned with the period ending with 1925, these figures are, of course, used, and give an answer to the problem as to what would have been the result if all privileged subscriptions offered since 1920 had been taken and held. The fact that during the entire period under consideration has been one of a decidedly upward trend on the stock market, which prices rising higher, toward the end of 1925, than ever before, must always be considered in studying these tables.

Then, too, when consideration of rights is based upon the supposition that all the stock offered is taken and added to the original holdings, the dividend return upon the stock is of vital importance, for when the dividend rate is higher than the current rate for borrowed money, this difference should be credited to the rights. For example, if a holder of 100 shares of a stock paying 8% is given the privilege of subscribing to 50 new shares at par, finding it

necessary to borrow the money with which to purchase the new shares, he does so, at the current rate of 6% and thus acquires the new stock. The dividend rate of 8% is kept up by the company. Then the difference of two percent is equivalent to an additional dividend of one per cent on the original purchase of 100 shares. Therefore, this makes the real return on the original purchase nine per cent. If the original purchase had not been made, the rights would not have been secured and no opportunity would have existed whereby the money could have been invested at such a rate.

Consequently, it is apparent that the profits that come indirectly to stockholders through the issuance of privileged subscriptions form a substantial addition to the regular dividends, but owing to the fact that these privileges are infrequent and cannot be estimated before hand, they fail to increase the market value of the stock to the same extent as the regular dividends.

Many corporations instead of issuing "rights" accomplish the same object by issuing stock dividends and as a stock dividend might be considered a privileged subscription issued free, a few of the largest ones are listed on the following page.

Name	Date	Amount
American Radiator	1922	50%
" "	1924	50%
American Can	1925	50%
Atlantic Refining	1922	900%
Congoleum Company	1923	300%
DuPont de Nemours & Co.	1922	50%
" " " " "	1925	40%
General Baking Co.	1922	200%
Ingersoll-Rand	1922	100%
Kresge (S.S.) Co.	1925	50%
Louisville & Nashville	1923	62½%
Mack Trucks	1925	50%
National Biscuit	1922	75%
Packard Motor Co.	1922	100%
Phillips Petroleum	1923	50%
Postum Cereal	1923	100%
Standard Milling	1922	60%
S. O. of California	1922	100%
S. O. of New Jersey	1922	100%
Union Oil (Cal.)	1922	80%

CHAPTER III

THE RESULT IF RIGHTS WERE SOLD

The second method of taking advantage of a privileged subscription; namely, disposing of the privilege and making a profit amounting to the difference between the market price and the subscription, will now be considered.

Many stockholders do not wish to increase their capital investment in this particular corporation, preferring a diversification in their investments and consequently wish to take their profits at once. In such a case there are five different courses of action, any one of which may be adopted. These methods are:

(1) He may sell his "right" to subscribe to the new stock.

(2) He may subscribe for his allotment of the new stock with the idea of selling it after the new shares have been issued.

(3) He may sell "short" the number of shares the privilege gives him, and deliver; thus completing the short sale, when the new stock is issued.

(4) He may sell an amount of his original holdings equal to the amount of new shares he will receive.

(5) He may sell his entire holdings upon the immediate announcement of the privilege, then later buy enough rights to reproduce his original holdings.

Each of these methods has its advantages and disadvantages and it is wise to compare them.

The first method, the sale of "rights", is frequently adopted. It permits the holder to dispose of his privilege immediately upon its authorization and sometimes before, as rights are frequently traded in on the market on the basis of "when, as, and if issued". Due to the arbitragers, the price of rights follows the price of the stock and as will be shown in the section on discounting, the stock usually sells at its highest price about the time of the announcement. Therefore, in order to obtain the best price, rights should be sold immediately upon the advertisement of the declaration.

By disposing of his privilege in this manner the stockholder does not, however, receive the entire value of the rights due to the fact that rights seldom sell for their mathematical value, for example, in the illustration used before, the American Telephone and Telegraph Company's rights were mathematically valued at $4.25 while in reality at that time the price of the rights on the market was $3.75. This, of course, is due to the fact that there is not usually a large demand for rights, because the general public is not aware of the possibilities that the purchase of rights often affords for cheap investment, consequently the majority of buyers are speculators and arbitragers who will buy only when the price permits them to make a profit, and this, of course, is only possible when the right sells for less than its mathematical value.

Furthermore, as T. W. Mitchell wrote: "By selling the right the shareholder discounts the prospective gain from the increase of stock. He receives his profits at once instead of waiting until the new shares are issued. The prospective gain is thus discounted, just as effectually as is a promissory note which is sold to a bank before its maturity. Finally, the sale of the right insures the return from the privilege by converting an uncertain future profit into a certain present profit."[12]

The second method, of subscribing for his allotment with the idea of selling it after the shares have been issued, involves an expenditure which is not required by the first method. That is, the stockholder must borrow money, usually, to purchase the new shares; this of course, necessitating the payment of interest which means a reduction of the net profit obtainable. It is true corporations usually permit the payments to be made in installments and pay interest on these, but this may be less than the interest paid by the stockholder on the money borrowed. The fact that after a subscription has been announced the trend of the stock is usually downward, due to several reasons,[13] is another disadvantage as it may be some time before the holder has an opportunity

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12. T. W. Mitchell, Stockholders' Profits from Privileged Subscriptions, Quarterly Journal of Economics, February 1905, page 243.

13. One reason is that the new issue increases by so much the total amount outstanding, or greatly increases the supply, and the second is that after a privilege has once been granted, investors figure that there will be no additional rights for a number of years.

to sell at a profit and in case his loans should be called and he is required to liquidate his holdings he may suffer a loss. However, this method may prove very remunerative at times when a boom is in progress. For example, Mack Trucks in July, 1925, declared a 20% allotment, the subscription price being fixed at \$100. The market price was at the time at \$190. A month later, \$209½, the next month \$208½, and the next \$224. This was, however, during a period of a tremendous bull market, but is cited as an example to show that this method may prove extremely profitable if pursued under such conditions when the upward impetus of the market will overcome the usual downward tendency of the stock after a declaration of rights. The further fact that the majority of rights are issued during such periods make this consideration worthy of note. At other times in the majority of cases he will be required to wait some time before an opportunity exists whereby he may sell at a profit and even then he may sell at a figure below the price which existed at the time of the announcement.

The third method involves the "short sale". If a holder of 100 shares receives a 20% subscription privilege, he will immediately sell the 20 new shares short and have his broker borrow 20 shares for delivery. The money received from the sale will be loaned to the lender of the borrowed shares by the broker as security and the short seller will be required to deposit a margin of about 20% of the selling price. Then when the stockholder receives his new shares he

delivers them to the broker who uses them to repay the borrowed shares and would receive the amount realized from the short sale and the margin that was deposited with interest, minus taxes and the brokerage commissions. He would, however, be compelled to borrow money in order to pay for the new shares when issued and possibly to supply the margin required; consequently his profit will be reduced by the interest on these sums. This profit would amount to the difference between the amount realized on the short sale; minus the interest on borrowed money, and the cost of the new shares.

This method is open to the disadvantage of all short sales, although the fact that the stockholder has the right to receive the new shares strengthens his position. A rising market may result in his broker calling for additional margin and this would mean paying out additional interest. Then again due to numerous short sales there may be a scarcity of the stock for borrowing purposes, thus requiring the borrower to pay a premium which would reduce the profit. Also as in all short sales there exists the possibility of being caught in a corner. The advantages gained are that less will be paid out in interest on money borrowed to pay for the new shares as the period will not last as long. This, however, may be offset by the interest paid on the money put up as margin, and the further advantage that since the stock usually sells at its highest price at the time of the announcement a better price will be obtained than by use of the previous method.

The fourth method, namely, of selling an amount of

his original holdings equal to the amount of new shares he will receive, and using the new shares to keep the original investment intact involves none of the uncertain features of the above plan. By this method the stockholder waits until the day the stock sells "ex-rights" and then sells the number of new shares he will receive. And therein lies the disadvantage of this method, for in order to receive the new shares through the method of subscription the stockholder must keep his holding intact until after the specified date of record. As we have seen, the stock usually sells highest at the time of the announcement and thereafter declines, so that at the time it sells "ex-rights" the price is lower than before. Thus in respect to the American Telephone and Telegraph issue of 1921: On the day - May 11th - of the announcement, the stock sold at 108¼. On May 21st it sold "ex-rights" and the quotation was 105. This depreciation may not appear very large but the fact that it exists is enough to make the method less profitable, in some cases, than some other method. The advantages of this method are that it requires no borrowing of funds, as the proceeds of the sale can be used to pay for the new shares. Many stockholders, however, have their original holdings deposited as collateral and in such a case this plan would involve difficulties.

The fifth and last method is one that is considered by many as the most profitable way in which to profit from privileged subscription issues.[14] The method employed here

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14. A. S. Dewing, The Financial Policy of Corporations, Volume IV, page 211.

is to immediately, upon receipt of the news, sell the entire amount of the holdings and then (since it is assumed in each of these cases that the holder desires to keep his original investment intact) to purchase sufficient rights to replace the original holdings. Thus advantage is taken of the high price existing at the time of the announcement and the stockholder acquires the proceeds of his sale immediately, and no interest charges are involved. In purchasing rights, it is advocated that they be purchased toward the end of the subscription period as it is shown that they are lowest in value at that time.[15] Thus, to use our previous illustration the 100 shares would have been sold on the day of the announcement for $10,825. The average price of rights, for the last four weeks of the period was $0.625. It would require 500 rights to replace the original 100 shares at a cost of $312.50. The new shares were issued at par ($100.) costing $10,000. plus the cost of rights equals $10,312.50. The difference between the selling price of $10,825. and $10,312.50 or $512.50 is the net profit, ignoring commissions. The disadvantages of this method are that it is not always the case that rights sell lowest toward the end of the period; sometimes they sell highest at that time. There is also the possibility that it might happen that there would be such a demand for rights that it might be impossible to obtain the desired number.

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15. See page 24.

In an effort to show just what the results would have been in certain specific instances had certain of the previous methods been adopted the writer has computed the results for three of the methods and taken a number of cases in each year. Only three methods have been used because the other two, namely, (1) subscribing for the allotment and selling the shares later on, after their issuance, and (2) the method involving the use of the short sale; involve the calculation of interest charges for an indefinite period, and other variable assumptions must be made which do not lend themselves toward reaching any accurate result.

An explanation of the three methods used follows and the results, or gross profit or loss, as brokerage commissions are ignored in all cases, are tabulated on the following pages, under their respective headings.

Method A: The Sale of the "rights".

Brokers, as a rule, feel that rights sell for most at the beginning of the subscription period and a study made by E. G. Mears in a thesis for the Graduate School of Business Administration of Harvard University covering a period from 1906 to 1912 showed that in 52% of the cases, the rights sold highest at the beginning, 22% highest at the middle, and 26% highest at the end of the subscription period. As study for the period of 1921-1925 gives the following results arranged in tabular form:

Highest Value of Rights

During Subscription Period

	No. of Cases	Beginning	Middle	End
1921	3	2	1	0
1922	28	13	3	12
1923	21	13	1	7
1924	29	10	4	15
1925	51	24	7	20
Total	132	62	16	54
Percents		47%	12%	41%

The differences are not so great in the above tabulation but it will be observed most of the cases occurred during a boom period and is really not a complete enough study to justify a general rule. However, it bears out the statement that rights sell highest generally at the beginning of the period. With this point established let us proceed to the calculation of the profit obtained under Method A by using the 20% privilege offered in 1921 by the American Telephone and Telegraph Company.

1. Assuming a person has 100 shares when the privilege is offered.
2. This gives him 100 rights, as rights are quoted on the New York Stock Exchange.
3. Assume that the 100 rights were sold during the first week of the period.

The average price for which rights sold on the exchange was 3/4 or 75 cents.

Then 100 x .75 = $75. Gross Profit.

This result is found under Method A in the table.

Method B.

Selling an amount of his original holdings equal to the amount of new shares he will receive. In order to be entitled to the new shares he must wait until the day the stock sells ex-rights before selling his shares. Thus:

1. Same illustration as in Method A.
2. Receives right to subscribe to 20 new shares.
3. Sells 20 shares on ex-rights day, May 21st.
   Price: $105\frac{1}{4}$. 20 x $105\frac{1}{4}$ = $2105 proceeds of sale.
4. When the new shares are issued @ $100. a share, then 20 x $100 = $2000, cost of new shares.
5. $2105 - $2000 = $105 Gross Profit.

This result is found in the table under Method B and opposite the name American Telephone and Telegraph.

Method C.

Sell the entire amount of the holdings immediately upon the announcement of the privilege and then since it is assumed by all the methods that the original holding of 100 shares is desired to be retained buy enough rights to replace the 100 shares. In all probability when this method is adopted, the person would not buy the rights, but rather wait until the market had gone down and then once more buy in for

the "long pull". When the announcement was made, many believed that they have reached the maximum profit and would no longer consider the holding as desirable. But for the sake of uniformity we will carry the computation through to accomplish th e acquiring of enough rights to replace the original 100 shares held. As was shown in the discussion of Method A since rights generally sell highest at the beginning of the period, they must consequently generally sell lowest at the end of the period. And this assumption is used when buying rights in this case. Thus:

1. Same illustration.
2. Sell entire holdings, 100 shares, upon the day of or the day after the announcement, using the average price for these two days as the selling price, we find the price to be $108\frac{1}{4}$.

   $100 \times 108\frac{1}{4} = \$10,825$, Selling Price.
3. In order to be reasonably sure of getting enough rights, namely, 500, we assume he begins buying them during the next to the last week of the subscription period. So the average price of rights for the last two weeks of the period is used as the price at which the rights are purchased. This price was 5/8 or \$.625.

   $500 \times \$.625 = \$312.50$, Cost of Rights.

   These give him the right to buy 100 new shares at \$100. per share. So:

4. 100 new @ \$100 = \$10,000. Cost of new shares.
   \$312.50 + \$10,000 = \$10,312.50, Total cost of new shares.
5. Then: \$10,825. - \$10,312.50 = \$512.50, Gross Profit.

This result is found under the heading Methoc C.

In examining the results of this table we find of these 39 cases, selected at random, during the 5 years, Method C gave the greatest profit 23 times or 60%, Method B 12 times or 31%, and Method A, 3 times or 7%, (only 38 cases being used in this instance as the profit from Method B and C was exactly the same for American Bosch Co.) Another item of interest is that if Method C had been adopted a loss would have resulted in 7 of the cases. The loss in all these cases is due to the fact that the stock sold higher after the date of the announcement, at which time, our suppositious holder sold out, and this subsequent rise in price of the stock naturally caused rights to sell higher and so when it came time to buy up enough rights to replace the original holdings it was found that they were selling at a figure which would wipe out the profit made by the sale, that is, it was so that the price of the rights plus the subscription price for the new shares was more than the price at which the original shares were sold. Such being the case, the holder would naturally not buy the rights, but rather wait for a more favorable price to develop in the shares at some later date. The basis for the assumption that this

Name of Company	Date	Amount	Profit from Method A	Profit from Method B	Profit from Method C
American Tel. & Tel.	May 1921	20%	$ 71.00	$ 105.00	$ 520.00
Invincible Oil	Oct. 1921	35%	50.00	28.75	71.75
The Texas Co.	Apr. 1921	15%	188.00	258.00	859.90
Ajax Rubber	Jan, 1922	50%	150.00	150.00	206.00
American Tel. & Tel.	Aug. 1922	20%	264.00	460.00	250.00
Brooklyn Edison	Apr. 1922	55%	119.00	275.00	194.00
Consolidated Gas, N. Y.	Dec. 1922	20%	212.50	226.25	795.00
Keystone Tire & Rubber	Nov. 1922	50%	25.00	12.50	175.00
Replogle Steel	Apr. 1922	50%	112.50	106.25	75.00
Sterling Products	Dec. 1922	20%	187.50	247.50	80.00
Brooklyn Edison	Jan. 1923	50%	350.00	525.00	*
Consolidated Gas, N. Y.	Dec. 1923	20%	137.50	162.50	*
Computing-Tab.-Rec.	Apr. 1923	15%	80.00	30.00	542.50

Name of Company	Date	Amount	Method A	Method B	Method C
Detroit Edison	May 1923	25%	$ 25.00	$ 87.50	$ 575.00
Fisher Body	Mar. 1923	20%	1950.00	1850.00	3550.00
Marland Oil	June 1923	35%	43.75	15.50	*
New York Central	Dec. 1923	10%	37.50	53.75	225.00
Reynolds Spring	Mar. 1923	100%	443.75	975.00	381.25
Shell Union Oil	Oct. 1923	25%	75.00	87.50	112.50
Westinghouse E. & M.	Apr. 1923	20%	93.75	90.00	906.25
American Tel. & Tel.	May 1924	20%	318.75	305.00	[illegible]
Brooklyn Edison	May 1924	35%	275.00	367.50	800.00
Continental Can	Nov. 1924	15%	62.50	93.75	*
Detroit Edison	Apr. 1924	25%	56.00	100.00	550.00
Illinois Central	Oct. 1924	10%	35.00	82.50	275.00
Mack Trucks	Aug. 1924	20%	550.00	[illegible]	919.00
Phillips Petroleum	Feb. 1924	25%	137.00	[illegible]	*

Name of Company	Date	Amount	Method A	Method B	Method C
Phillips Petroleum	Aug. 1924	25%	$ 75.00	$ 50.00	$ 287.50
Westinghouse E. & M.	Apr. 1924	20%	137.50	160.00	143.50
American Bosch	Oct. 1925	50%	125.00	150.00	150.00
Brooklyn Edison	Oct. 1925	25%	875.00	1000.00	1100.00
Detroit Edison	Sept. 1925	10%	275.00	351.25	*
International T. & T.	Feb. 1925	50%	375.00	475.00	650.00
Mack Trucks	July 1925	20%	1350.00	1620.00	175.00
Mathieson Alkali	Jan. 1925	20%	175.00	140.00	*
Marlin Rockwell	Aug. 1925	15%	112.50	142.50	516.25
New York Canners	Mar. 1925	20%	75.00	100.00	510.00
Phillips Petroleum	Nov. 1925	25%	112.50	75.00	250.00
Schulte Retail Stores	July 1925	10%	75.00	93.75	625.00

* Indicates a loss would have resulted had the operation been carried out to its conclusion, as this loss could be determined before, the operation would not have been carried through.

method is the better is that rights sell lowest at the end of the period in the majority of cases, and this is to be expected, for the prices of rights fluctuate with the price of the stock and the general movement of a stock after the declaration of rights is usually downward, thus resulting in a corresponding downward turn of the rights. An examination of the sales of rights on the market will, also, in most cases, show that a much greater number is sold during the last week of the period than at any other time and so with a large supply coming on the market the price is depressed.

Method C, then, can be considered the one offering the greatest profit in the majority of cases but in periods of a strong upward trend of the market in general it may prove to be wiser to subscribe to the stock and sell it later as the trend of the market may be strong enough to counteract the, to be looked for, depression in the price after the declaration of a subscription allotment.

CHAPTER IV

THE DISCOUNTING OF RIGHTS BY THE STOCK MARKET

Writers and those connected with stock exchanges claim as one of its chief functions that of discounting, which may be defined as the ability to predict future events, for example, the trend of stock prices, although rising due to the influence of business prosperity, rises before prosperity actually materializes. Charles A. Conant in his book "Wall Street and the County" expresses this idea in this form: "When the event actually happens it results in no great disturbances to values as was expected. Is it not better that this discounting of future possibilities should occur - that the effect of a given cause acting upon the market should be felt by graded steps instead of coming like a cataclysm?"[16] Many others have expressed the same idea.

Thus it may be said that the stock market furnishes expert opinion in advance as to the value of securities. These opinions take the form of quotations and are efforts to measure the effect on various securities of future conditions not generally or publicly known. As S. A. Nelson writes in "The A, B, C of Stock Speculation": "The market is not like a balloon plunging hither and thither in the wind. As a whole, it represents a serious, well considered effort on the part of far sighted and well informed men to adjust prices to such values as exist or which are expected to exist

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16. Page 95.

in the not too remote future."[17]

There are two kinds of events discounted by the stock market. The first, those of a general nature, as the general business conditions of which function S. S. Huebner in "The Stock Market" says: "Without exception every business depression or boom in this country has been discounted by our security markets from six months to two years before the dull times or prosperity became a reality."[18] For example, in November 1919, despite a great post-war prosperity, the stock prices declined, although business generally did not begin to deflate until Spring and Summer of 1920. The depression had been foreseen by the traders and they had expressed their opinion in the form of the lower quotations.

The second type of events discounted are those of a specific character. Under this class comes the announcement by a corporation of its intention to issue rights to its stockholders and it is with this particular phase of discounting that we have to deal here.

The increase in value of a stock due to its privilege bearing right must take the form of a gradual appreciation beginning sometime before the announcement is made public; otherwise it cannot be said to have been discounted. To show this, a number of instances have been selected, and the average high and low quotations for 5 months before the announcement was published and four months afterward. As allowance must be made for the general upward or downward

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17. Page 44.
18. Page 36.

trend of the market as a whole, an index of general stock prices is plotted on the graph along with the individual stock making possible a comparison which is necessary to calculate the influence of the general market factors on the action of an individual stock. The index used is "The Annalists" made up of 50 railroad and industrial stocks. This index appears in red on the accompanying graphs and the specific stock is plotted in black; the date of the announcement is indicated with a red star.

The charts fall automatically into three groups. By far the greatest number appear in Group A, in 2hich 23 of the 40 total cases considered, or 60% are placed. All of these cases show that the stock has begun to discount the prospective declaration in some instances as many as five months, and others only two months, in advance of the published announcement. It will also be noted that the highest quotations are usually reached approximately at the time of the announcement, after which a general selling movement begins and lasts usually for about a month. In some instances, however, it will be observed that the upward trend of the general market is strong enough to eliminate or overcome the usual declining movement after the announcement. The charts giving perfect evidence of discounting - discernible at a glance - are those which show a steady rise of the individual stock as contrasted with a downward movement of the general index. Others where the rise of the individual stock is accompanied by a general rise are not so easily recognized as

discounting, but if a careful comparison is made, it will become evident that relatively the individual stock is rising more rapidly than the index or in other words, is preceding the movement of the index.

In Group B, a different movement is evidenced. In these cases there is evidenced a declining movement which begins at varying lengths of time before the announcement is made. If an examination of these corporations were made it would be learned that they were at that time earning little over the present dividend requirements or that they had not been able to pay dividends lately and that most of them have large amounts of stock outstanding. Consequently the "knowing" are expressing their doubts as to the company's ability to maintain the dividend rate upon the increased stock and the financial stability of the company generally. It will be noticed that the downward movement is continued in many cases for long periods after the announcement, even though the general trend may be decidedly upward. This group contains 11 cases, forming a percentage of the total of 25%.

Group C contains a number of cases which, because of their, what may be termed indefinite trend or fluctuations, make it practically impossible to state definitely whether the declaration has been discounted or not. These cases are included as evidence that in discounting the market does not attain 100% efficiency but as they are very few in number in proportion to the total studied, they do not disprove the fact that rights are discounted by the stock markets. The

percentage of failures is surprisingly small, evidently, and this conclusion is supported by C. A. Kulp in his thesis "The Discounting of Dividends by the Stock Market". Rights were also studied by Dr. Kulp and in writing of them he says: "In 7 out of every 10 announcements of industrials and nearly 9 out of every 10 announcements of railroads, discounting is an absolute fact."[19] He also found in his study that the average time of the advance notice before the official announcement was made was for industrial stocks 4.9 months and for railroads, 5.8 months.[20]

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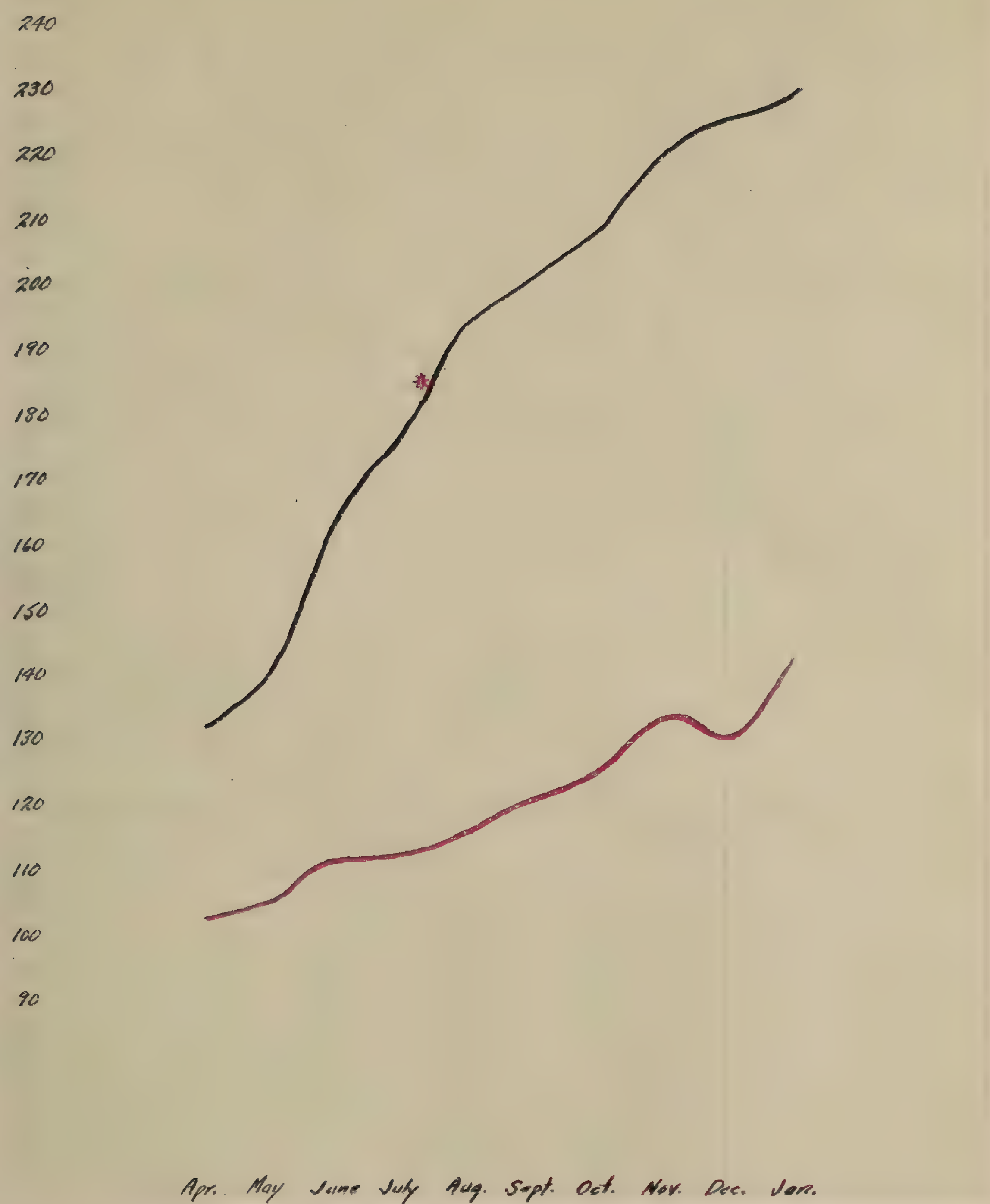
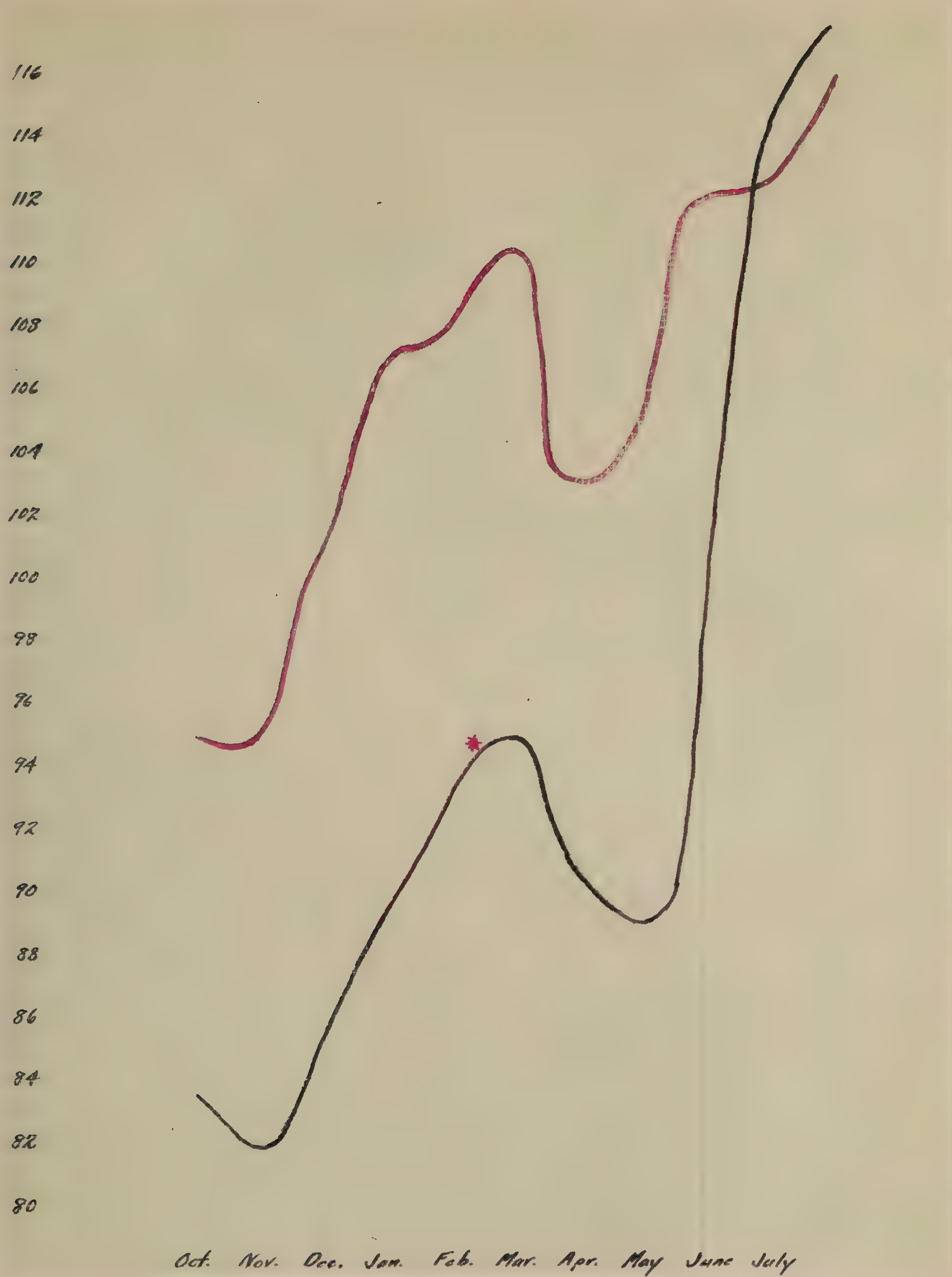
19. Page 59.
20. Page 55.

THE DISCOUNTING OF RIGHTS

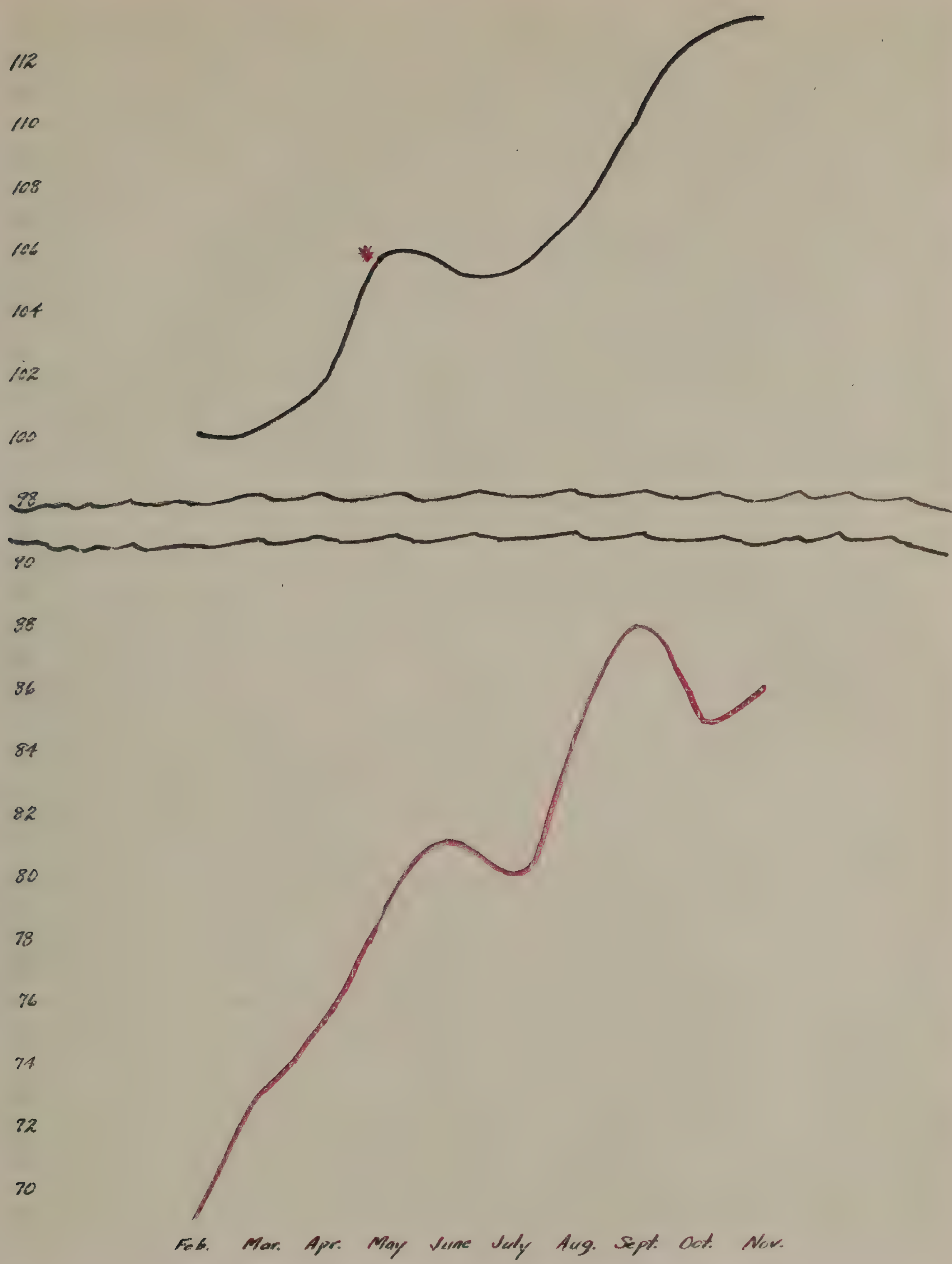
GROUP A



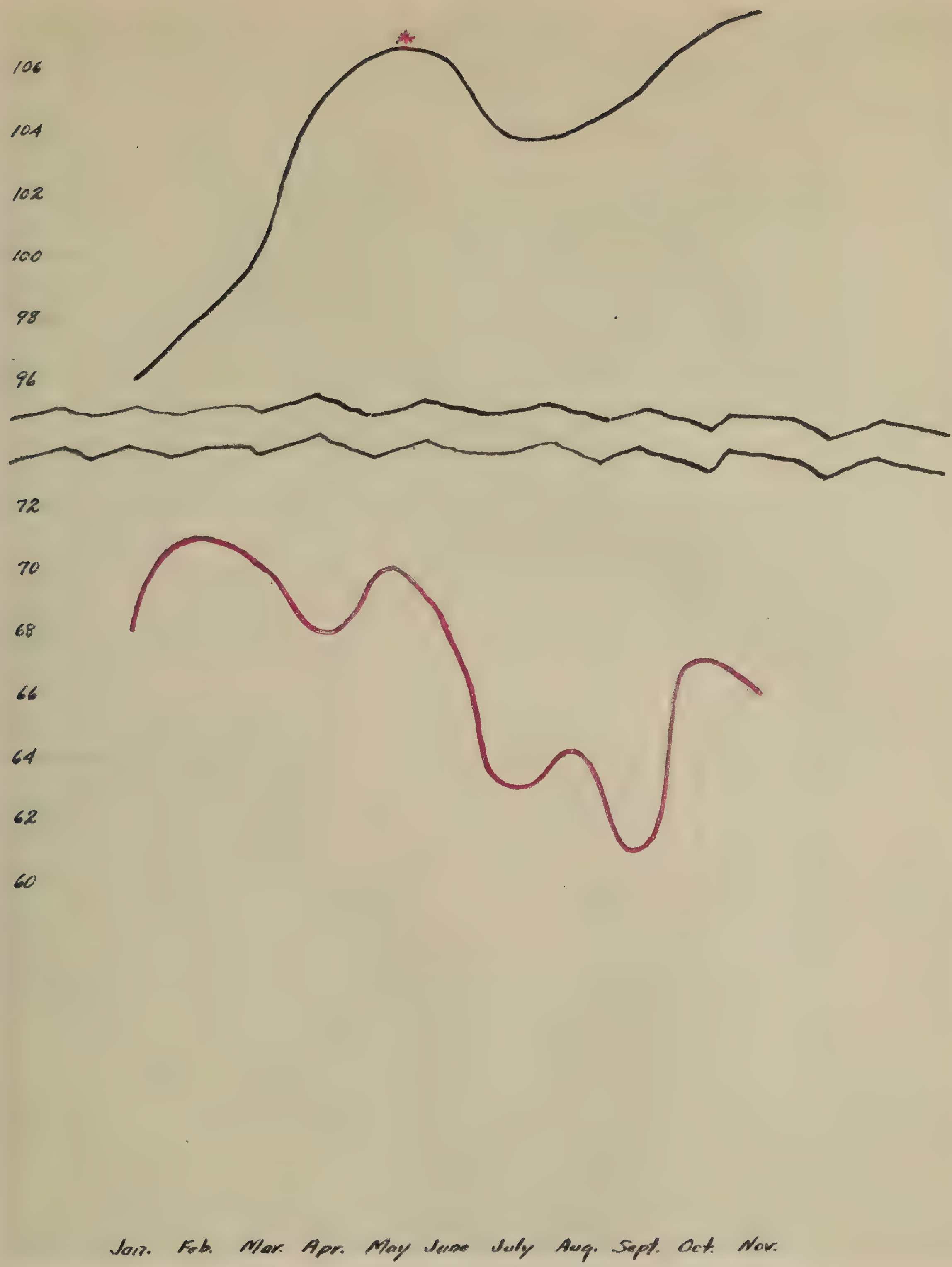
MACK TRUCKS 1925



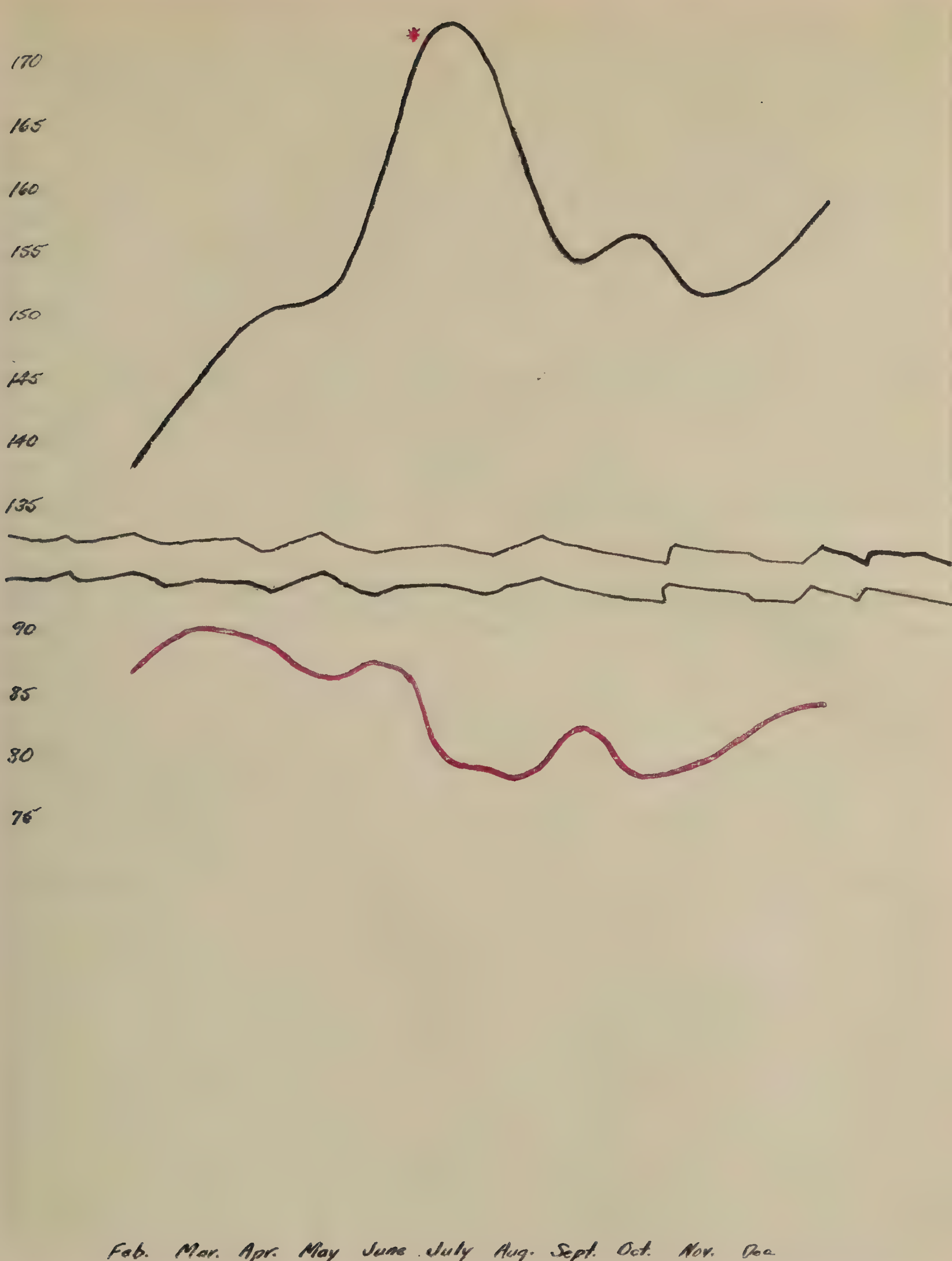
INTERNATIONAL TEL. & TEL. 1925



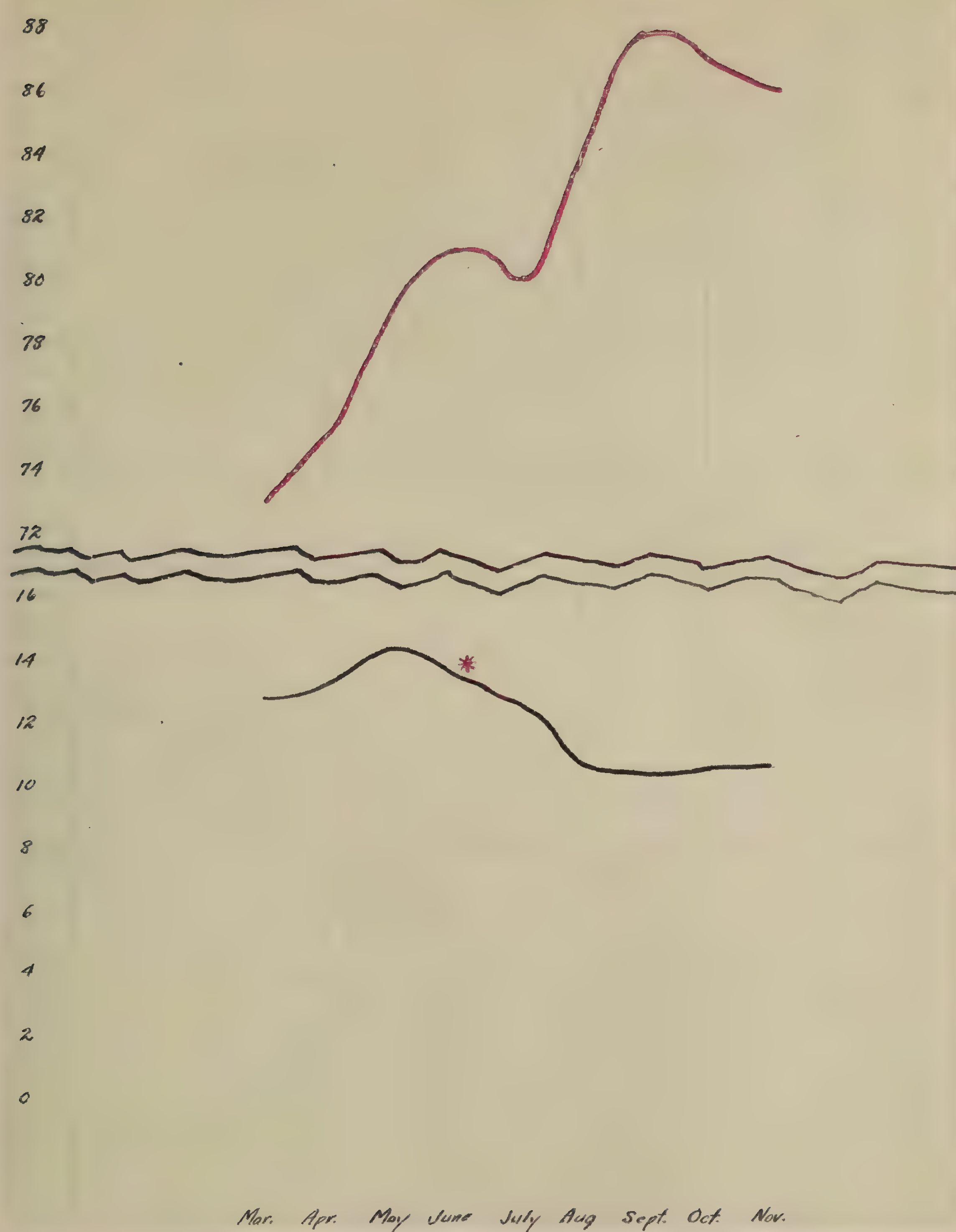
ILLINOIS CENTRAL R. R. 1922



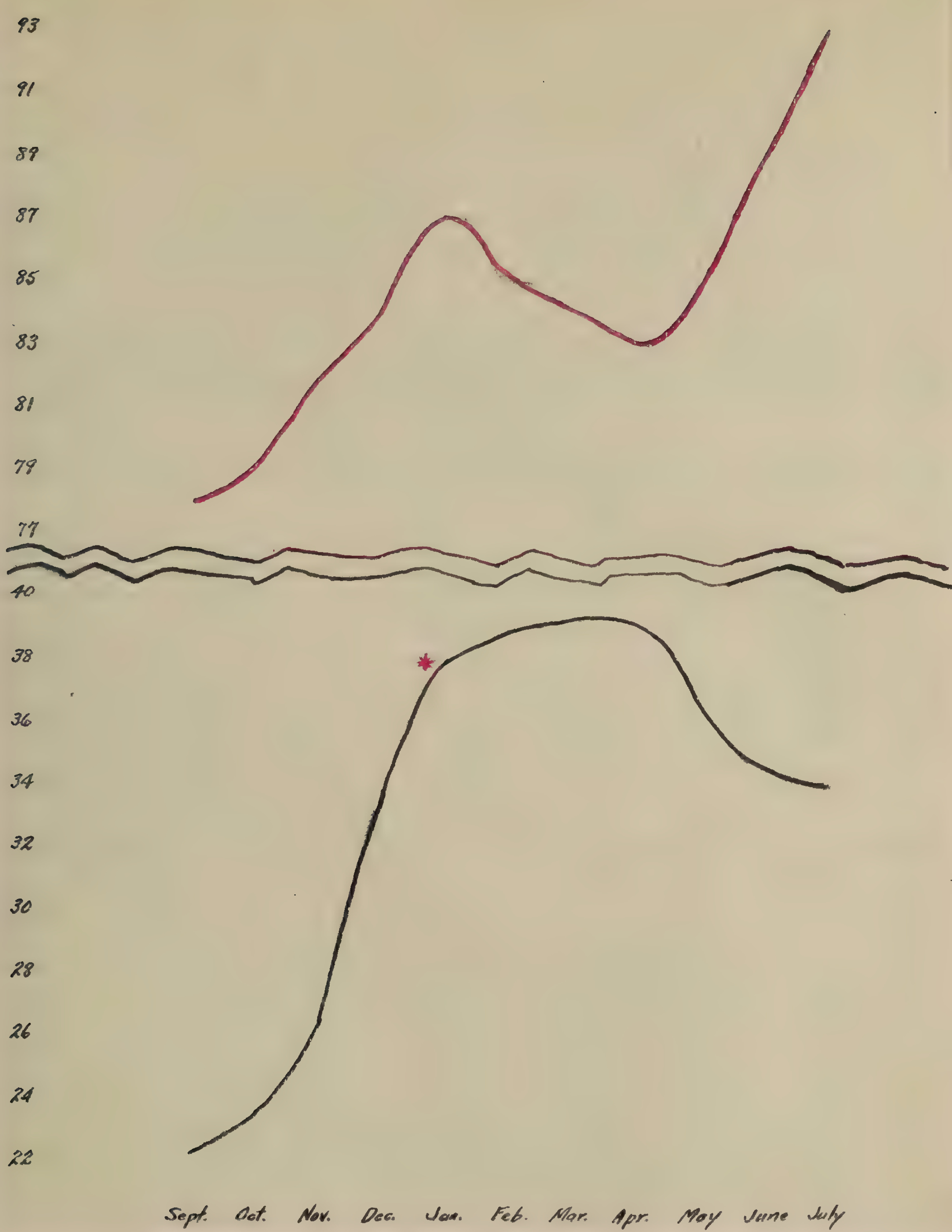
AMERICAN TEL. & TEL. CO. 1921



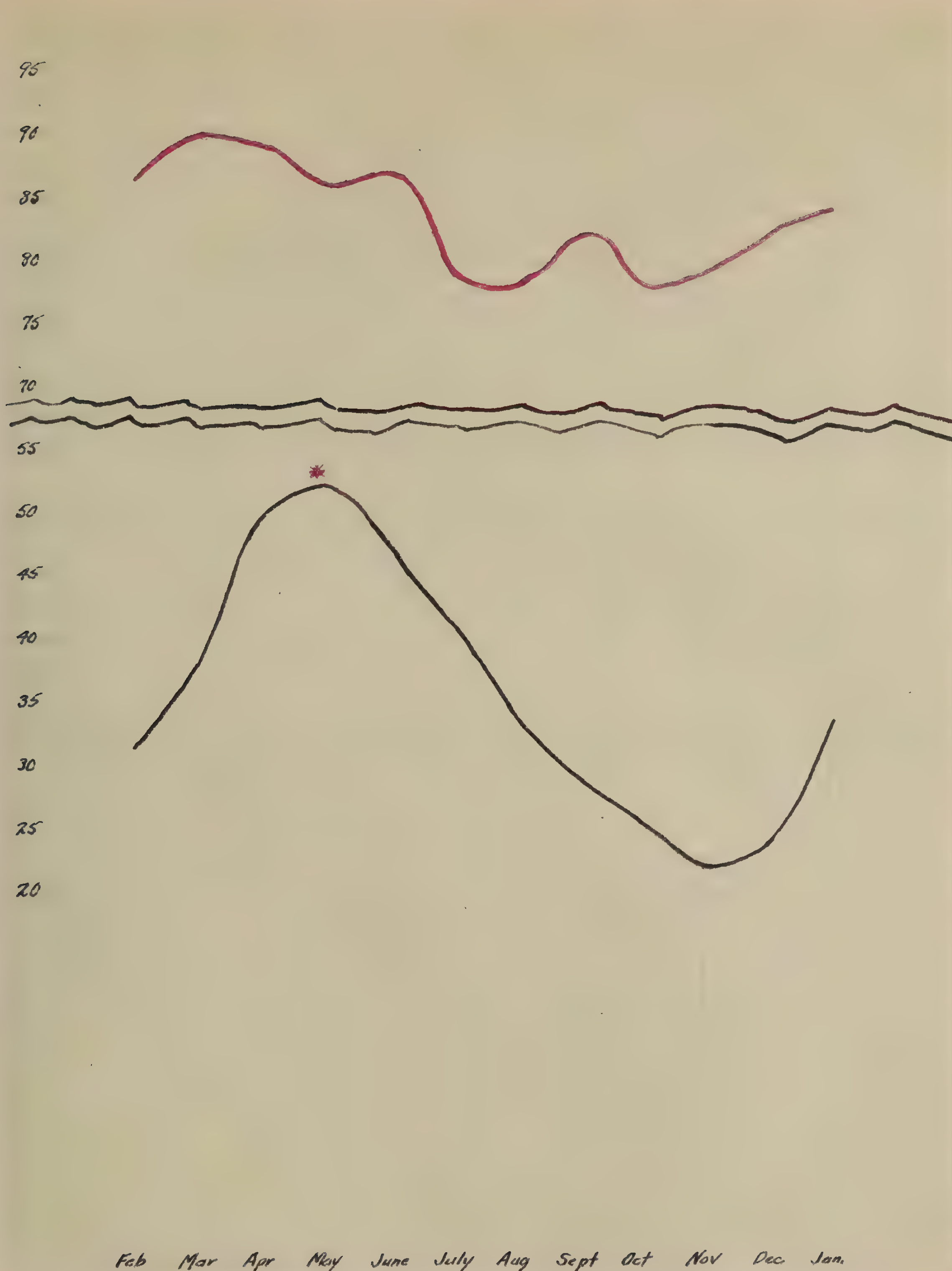
UNDERWOOD TYPEWRITER 1923



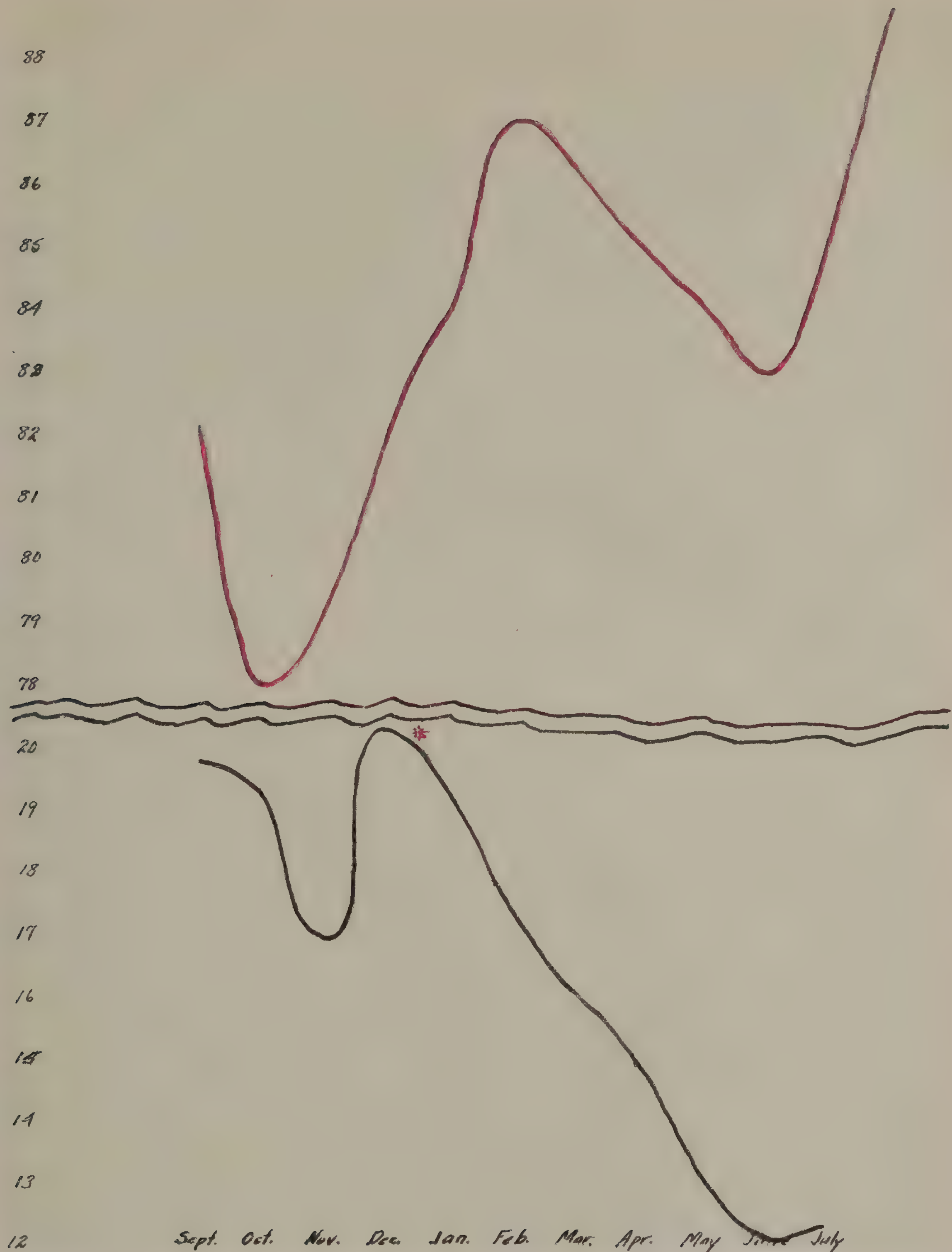
CONSOLIDATED TEXTILE CO. 1922



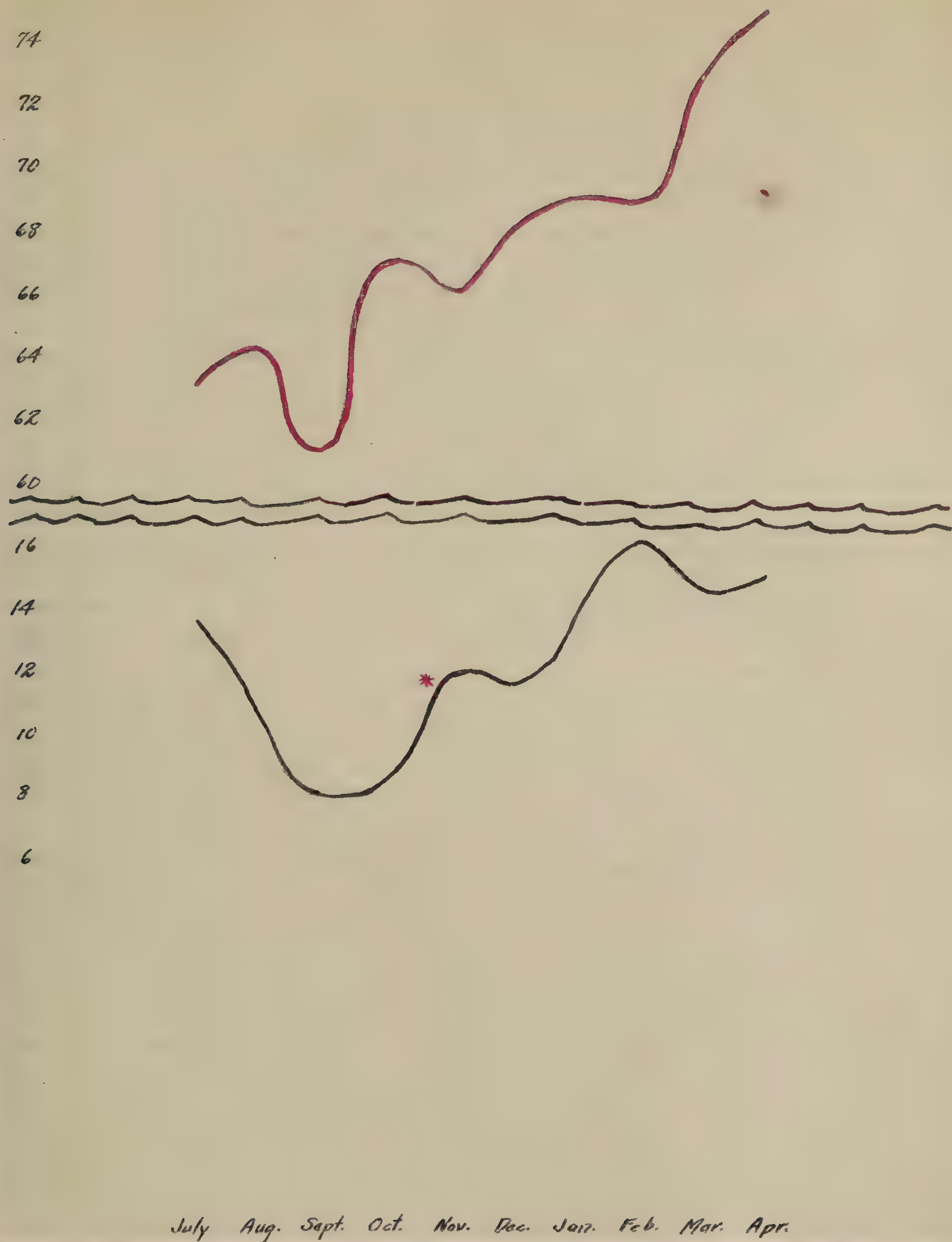
PHILLIPS PETROLEUM FEBRUARY 1924



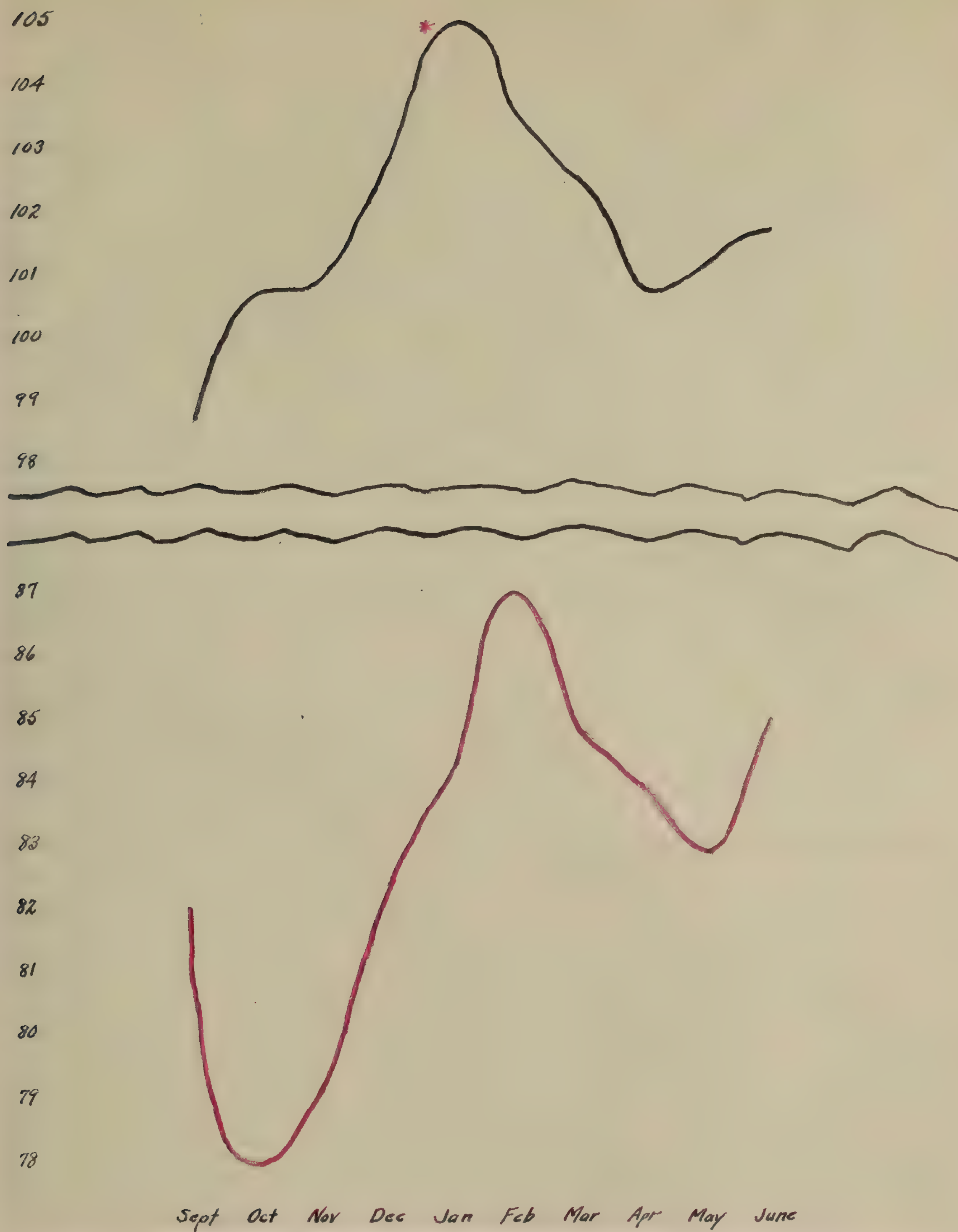
MARLAND OIL 1923



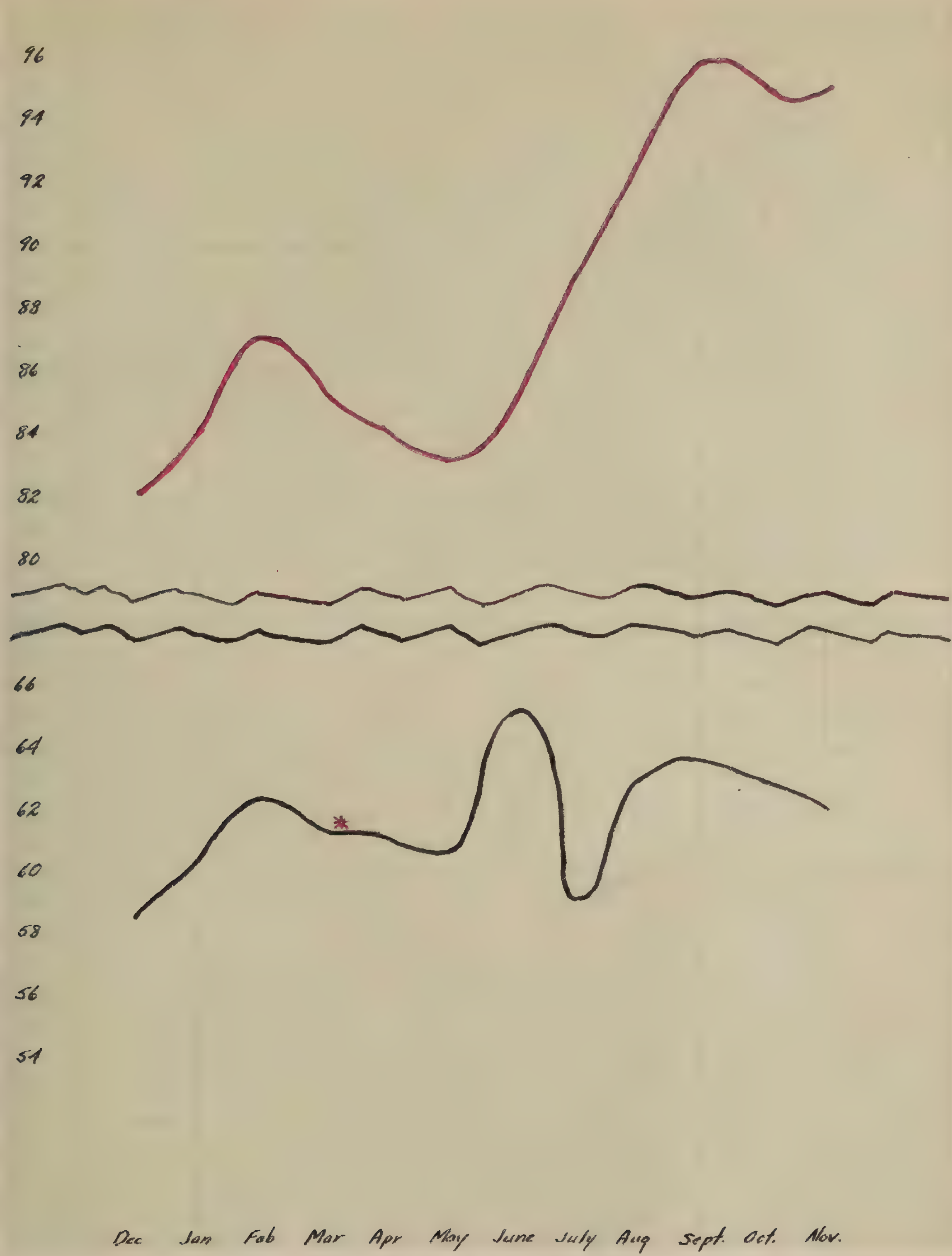
HUPP MOTORS CORP. 1923



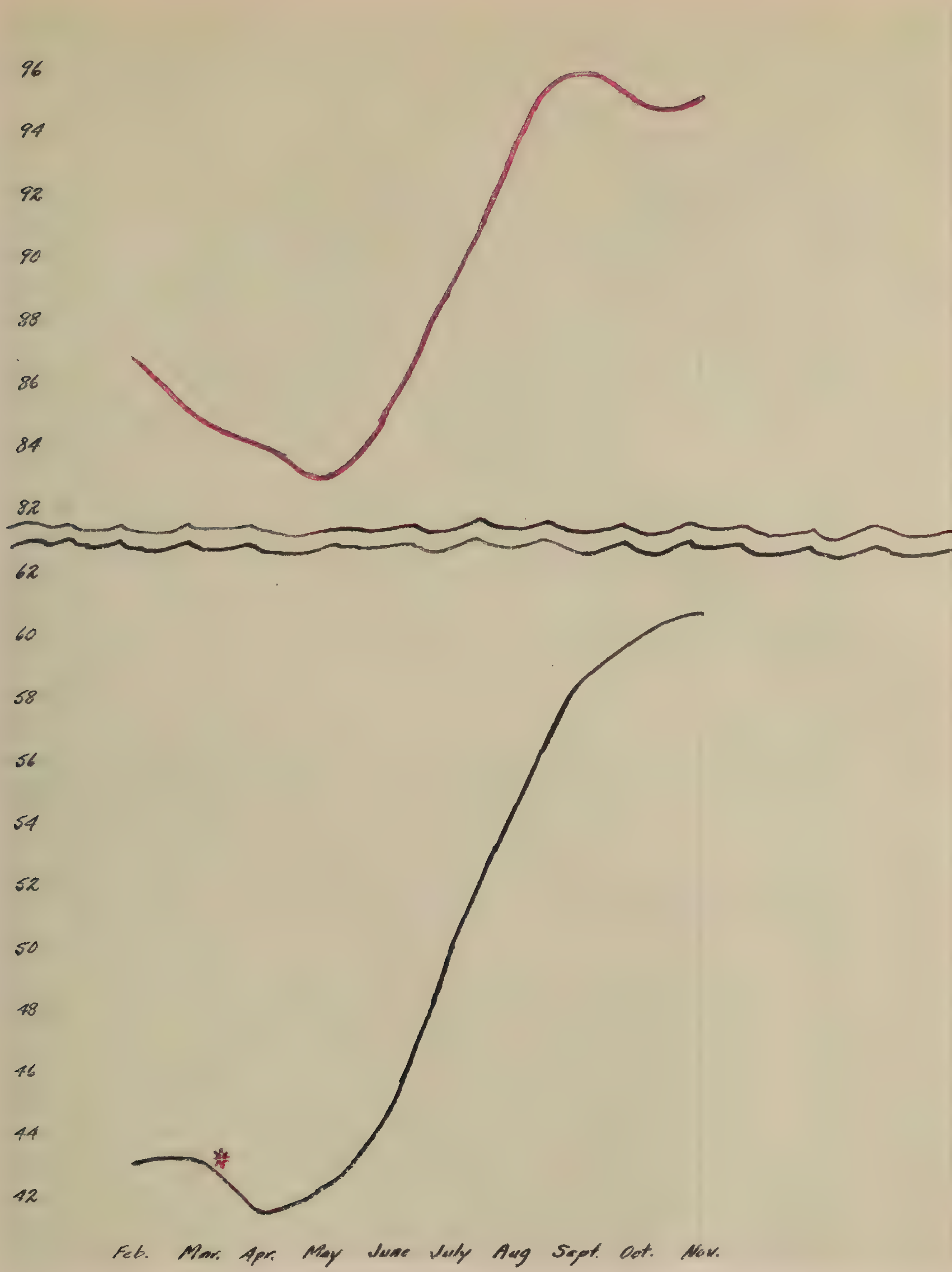
INVINCIBLE OIL 1921



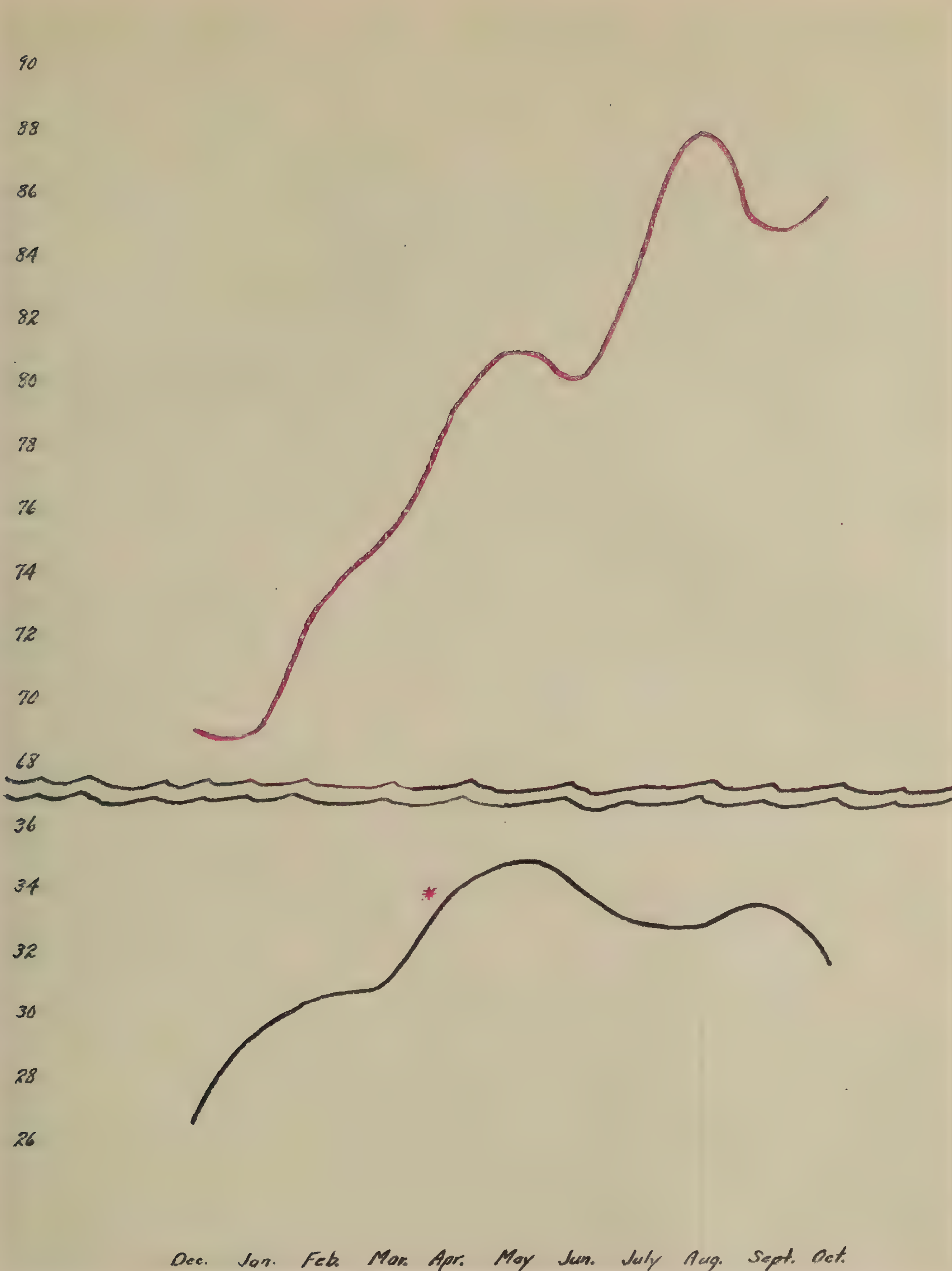
NEW YORK CENTRAL R.R. 1924



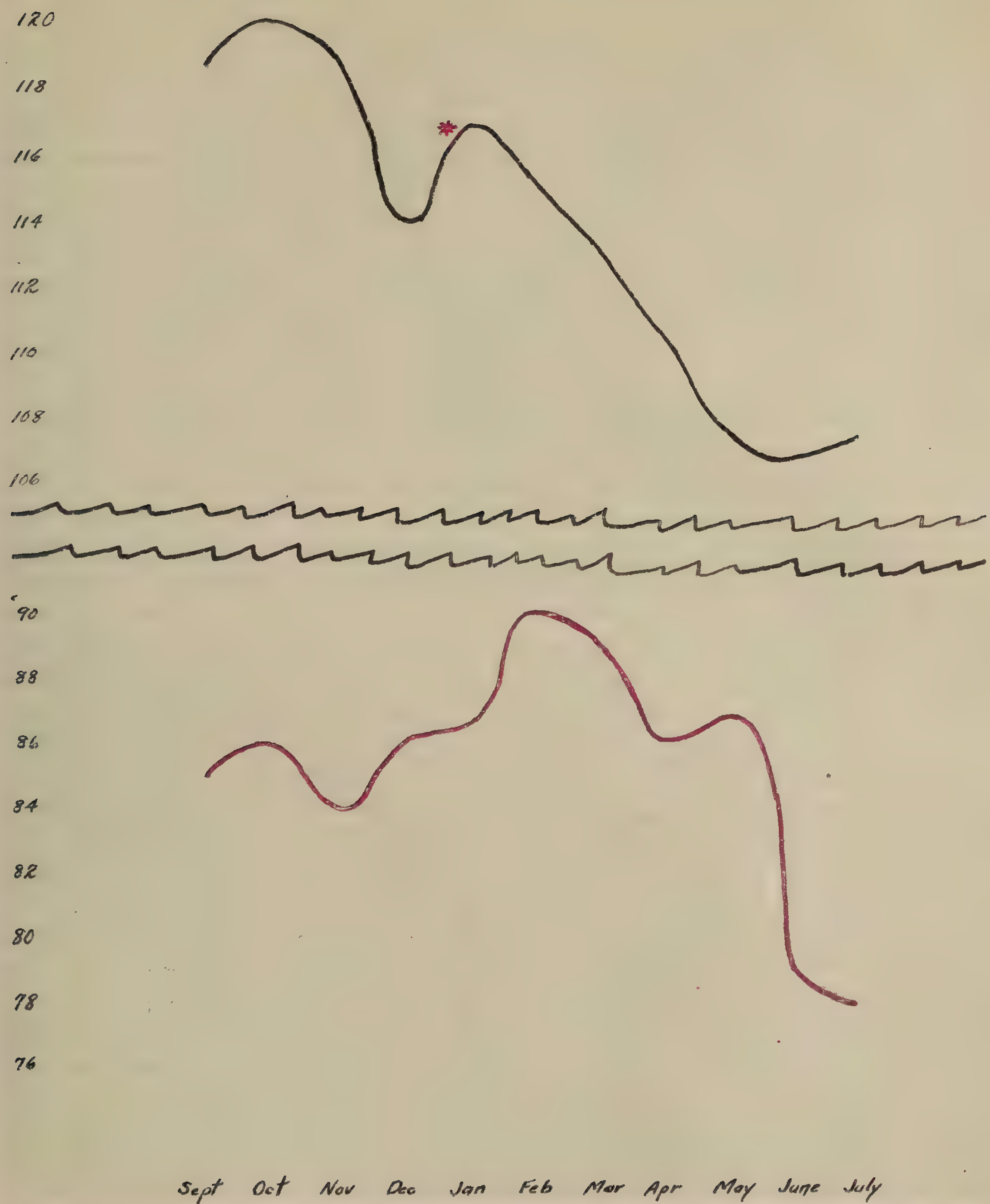
WESYINGHOUSE E. & M. 1924



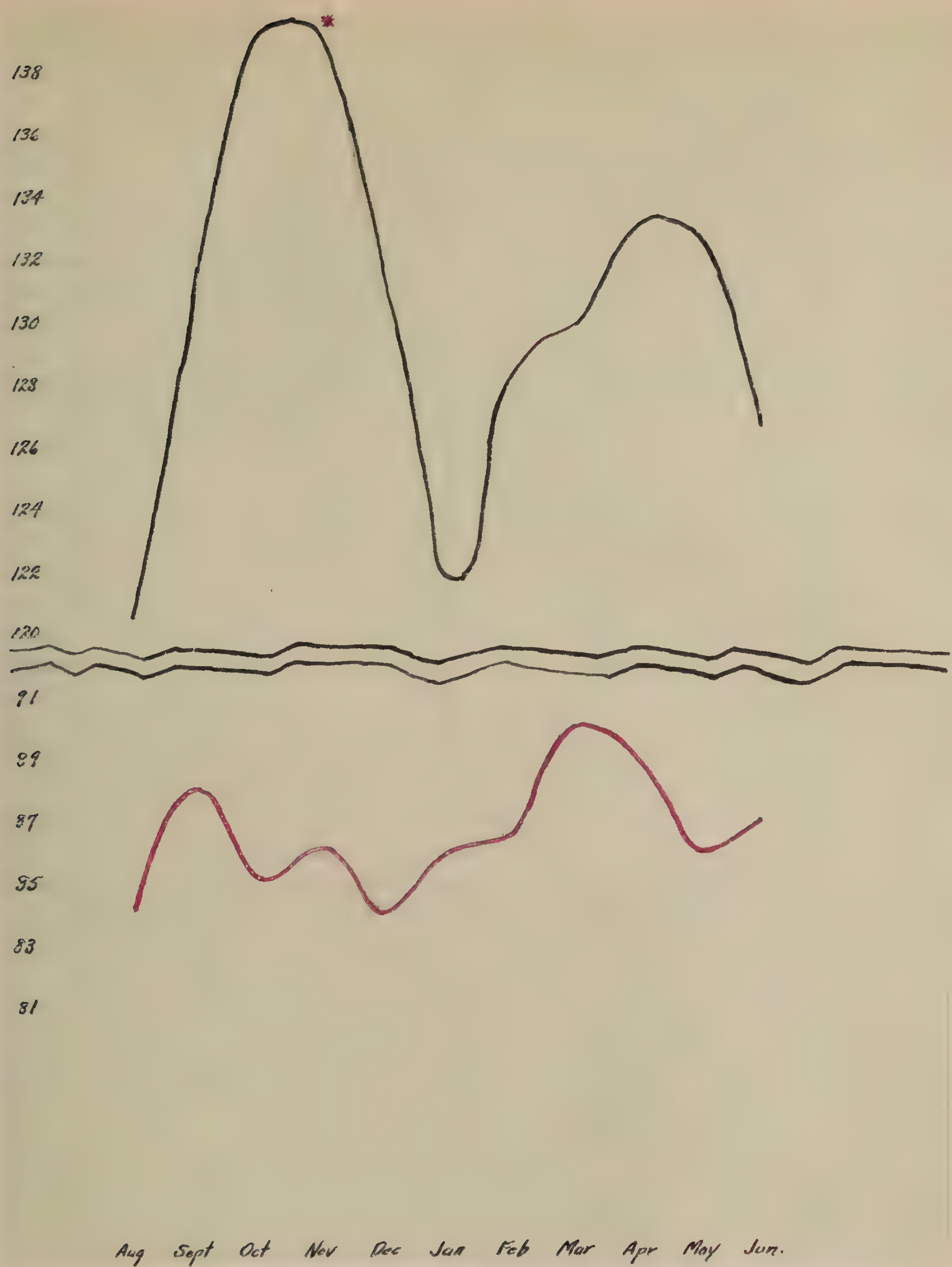
PUBLIC SERVICE CORP., N.J. MARCH 1924



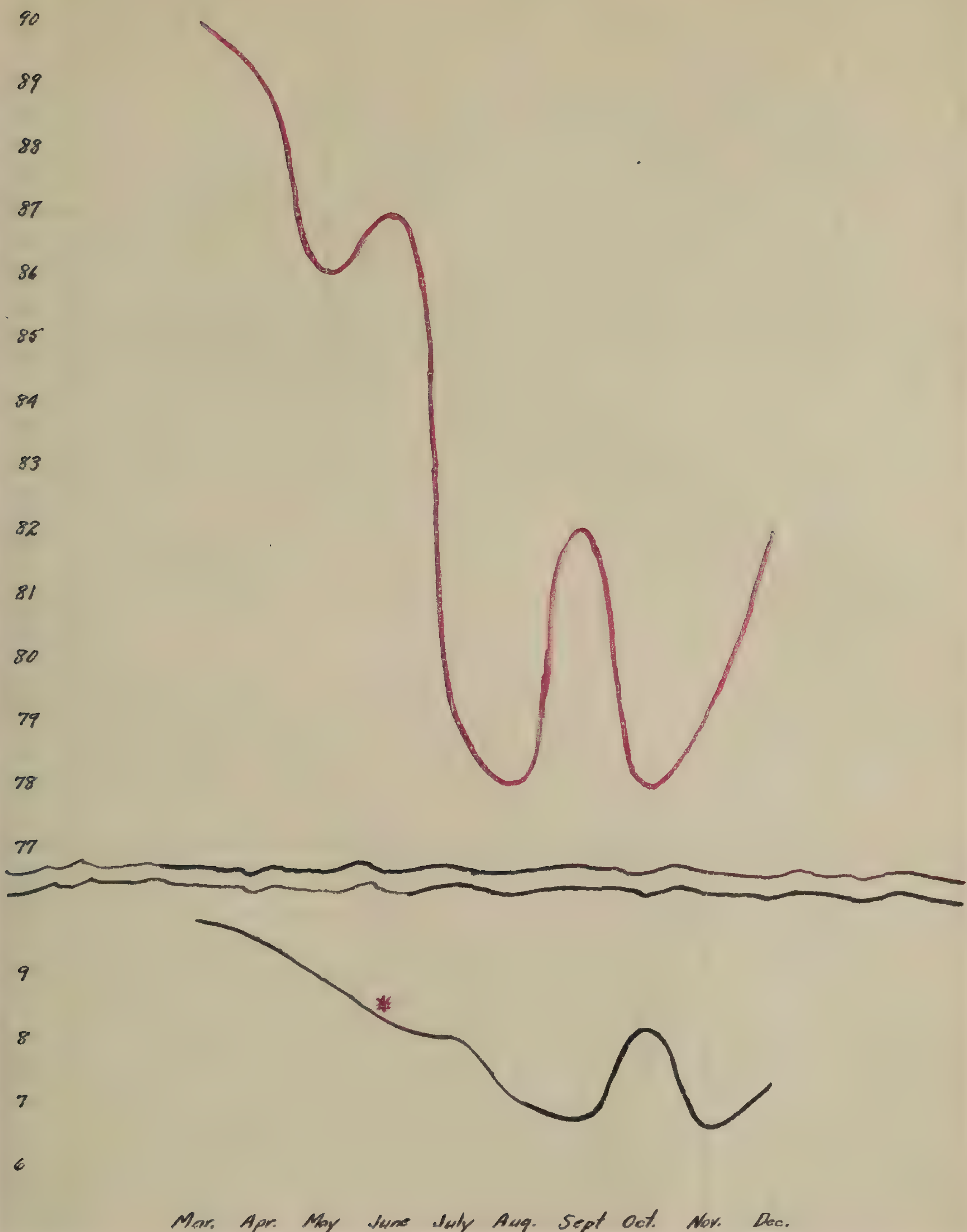
REPLOGLE STEEL 1922



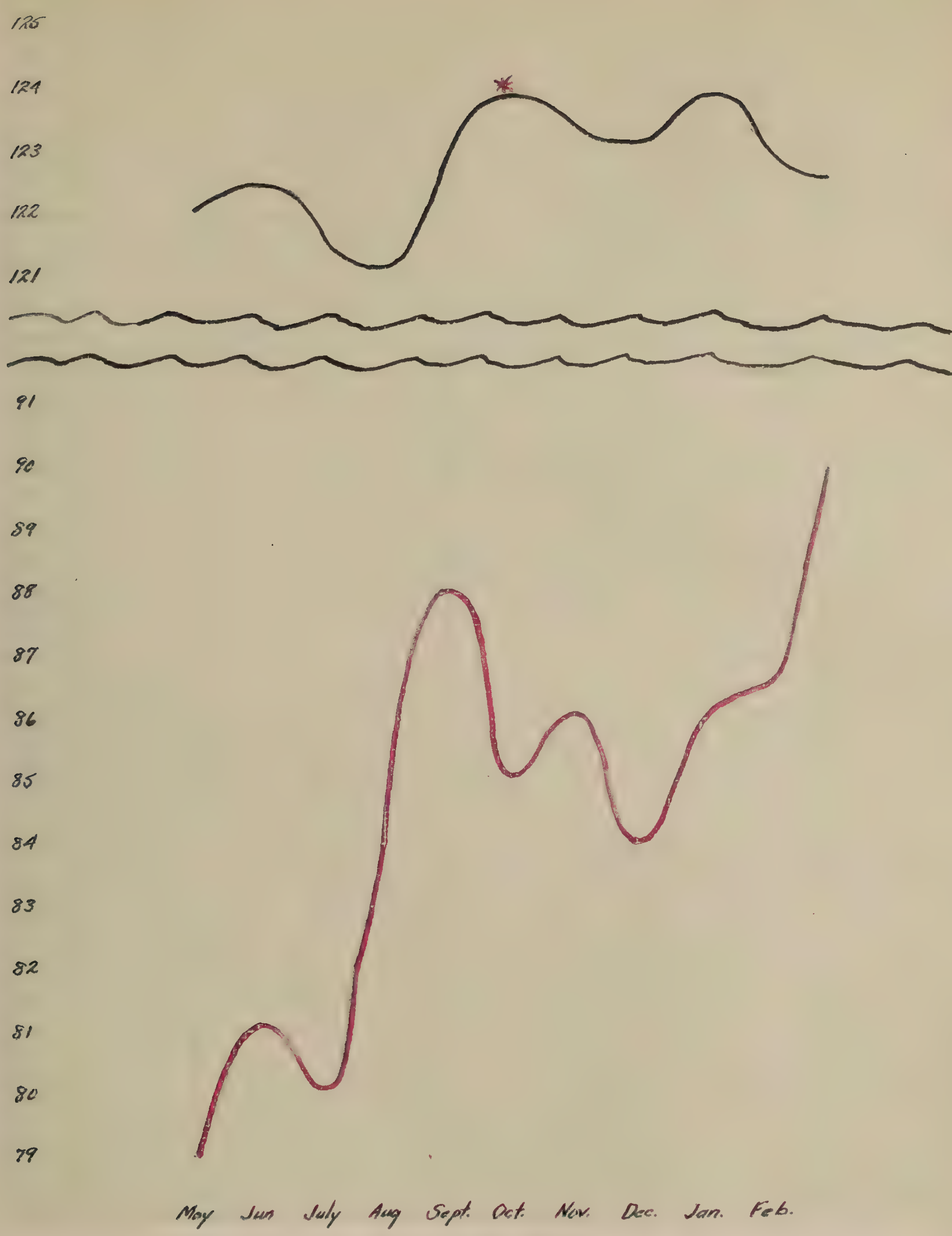
BROOKLYN EDISON 1923



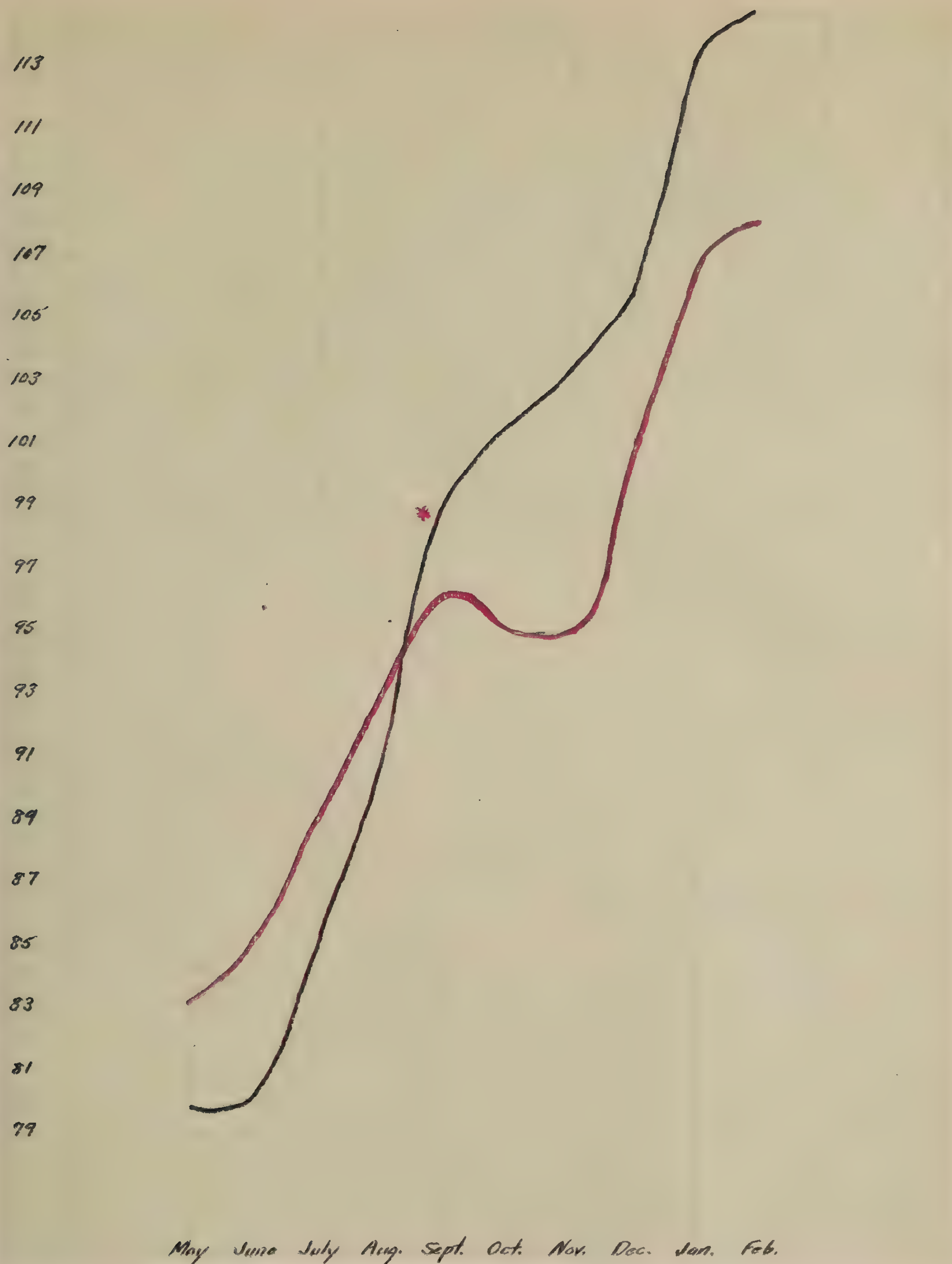
CONSOLIDATED GAS, N.Y. 1922



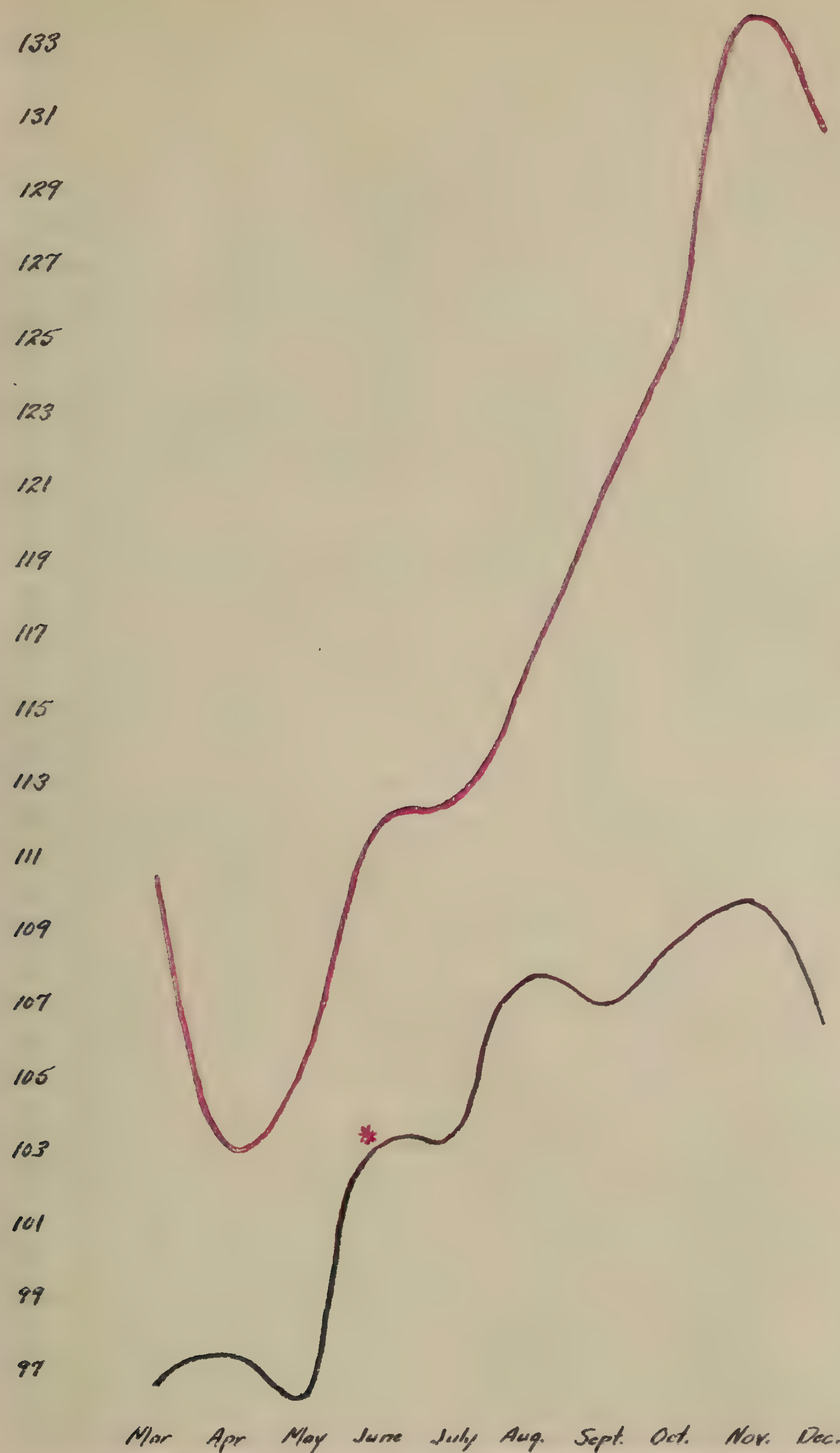
WHEELING & LAKE ERIE R.R. 1923



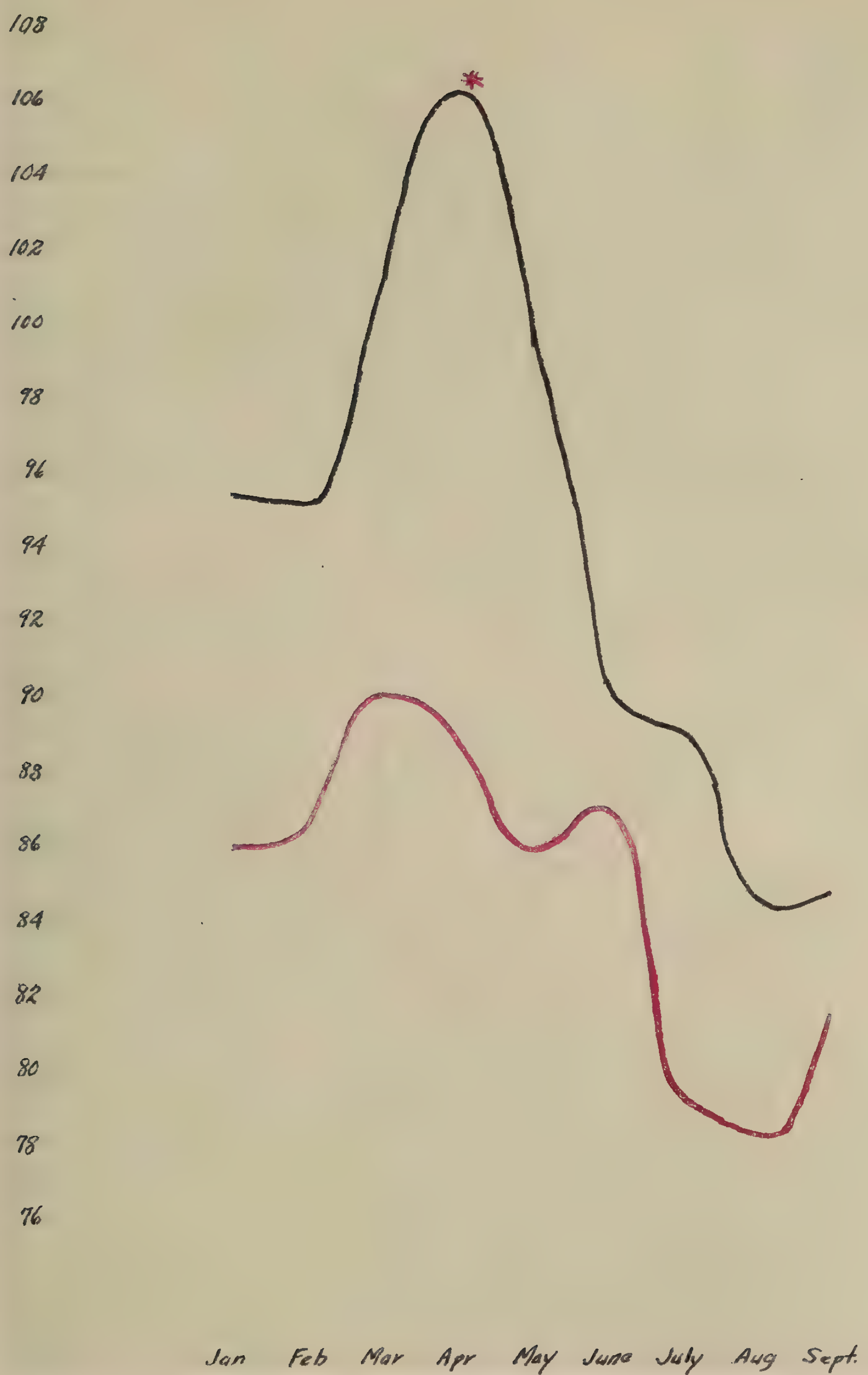
AMERICAN TEL. & TEL. CO. 1922



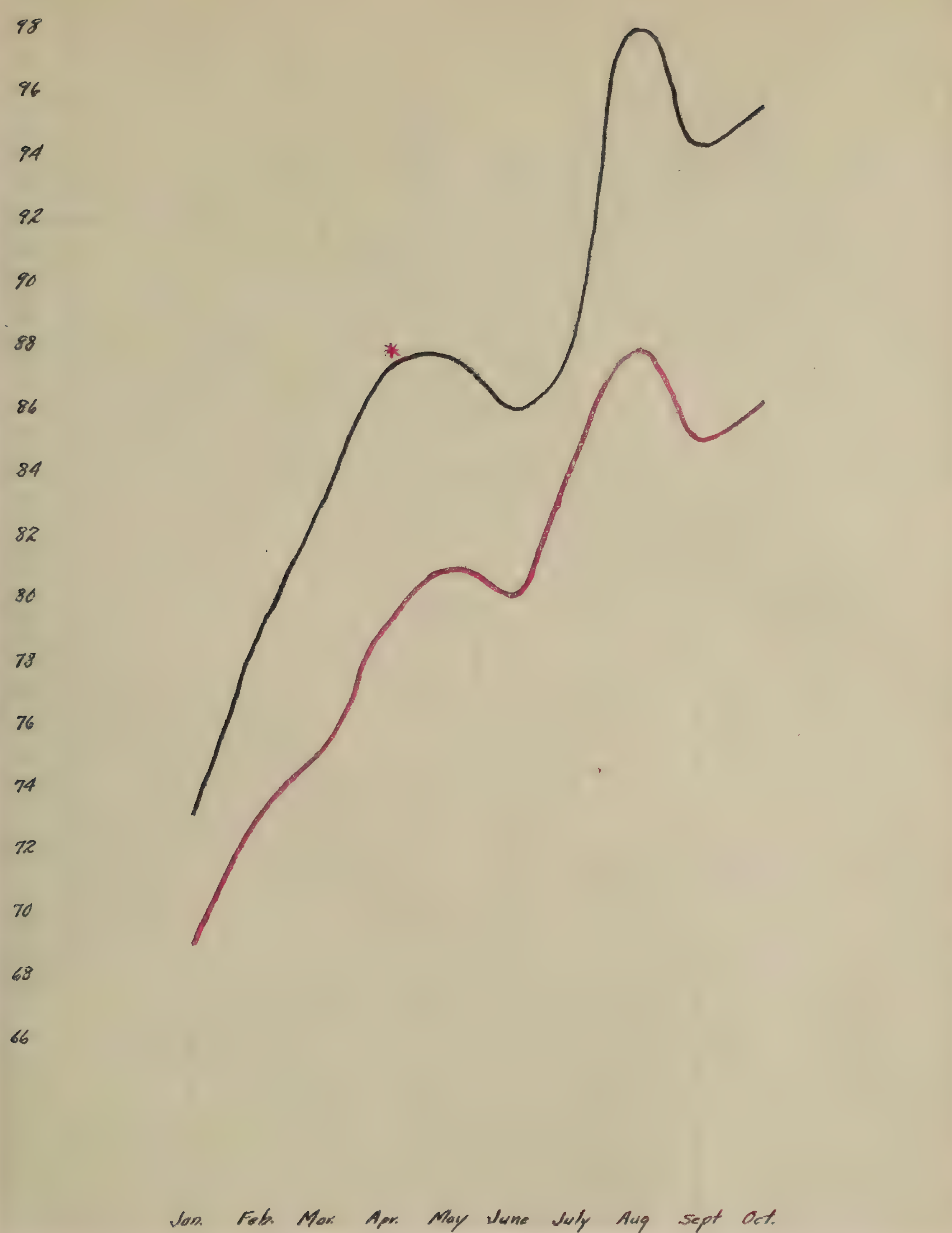
MACK TRUCKS 1924



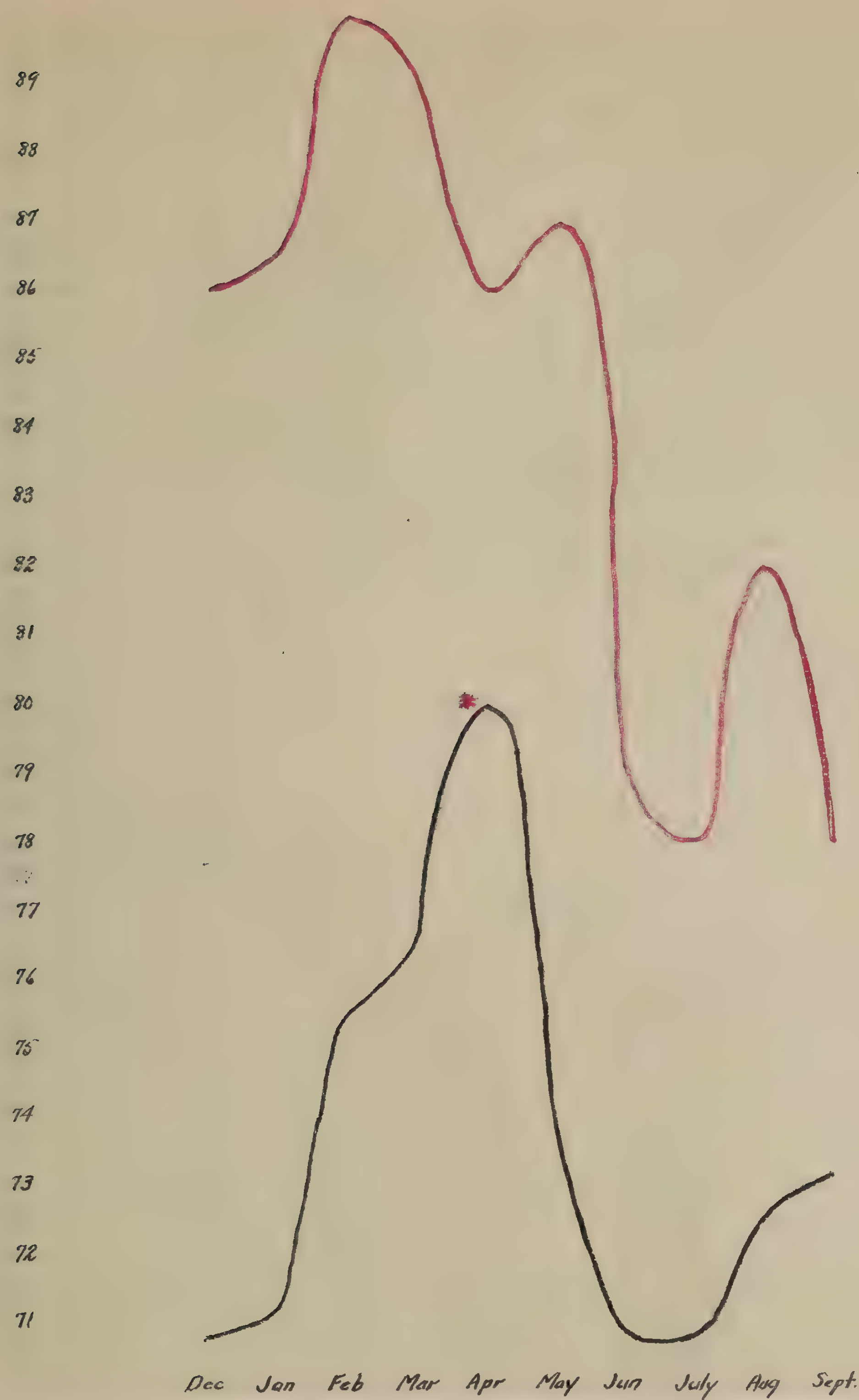
FAMOUS PLAYERS-LASKY 1925



AMERICAN WOOLEN 1923



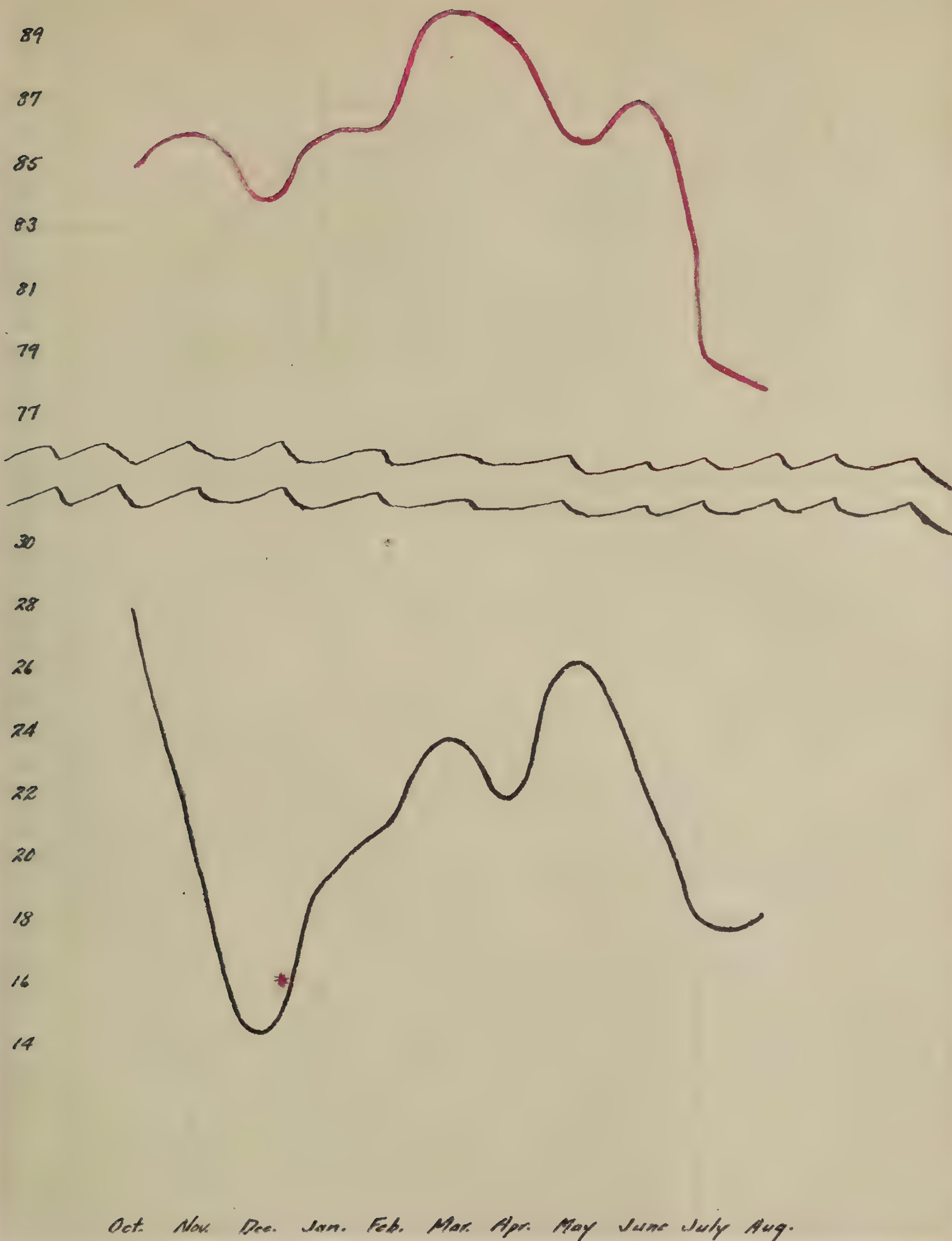
PUBLIC SERVICE CORP., N. J. 1922



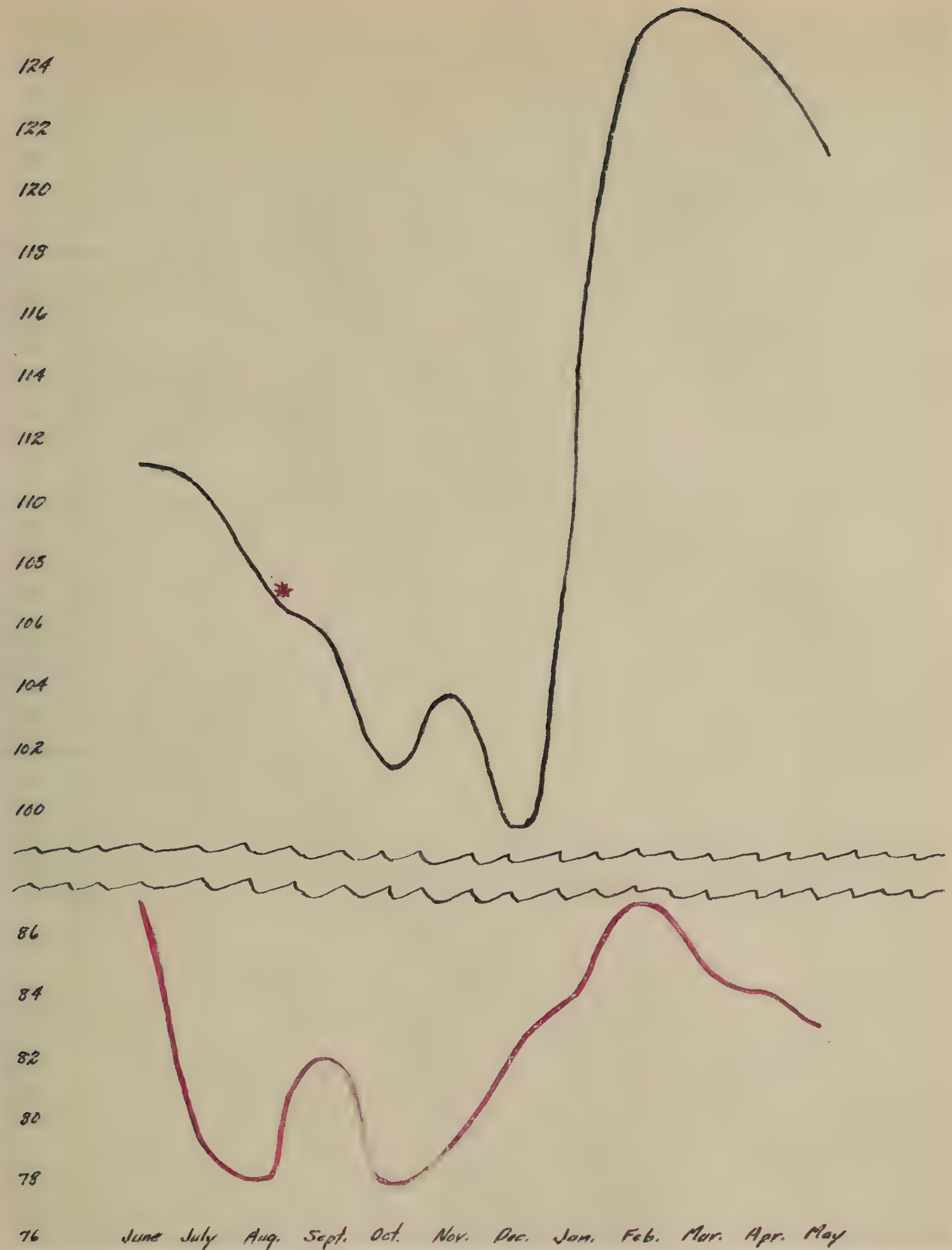
COMPUTING-TAB.-REC. CO. 1923

THE DISCOUNTING OF RIGHTS

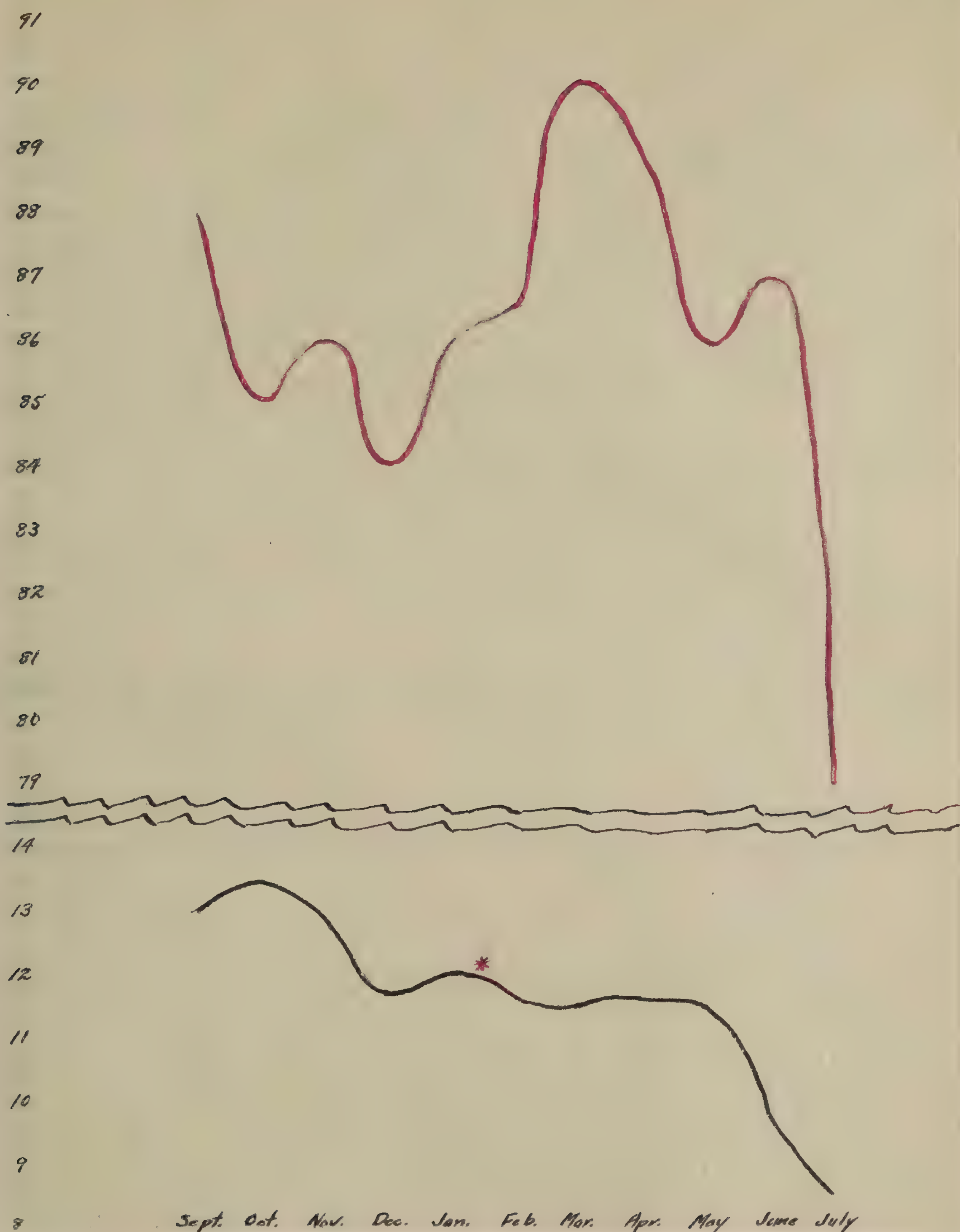
GROUP B



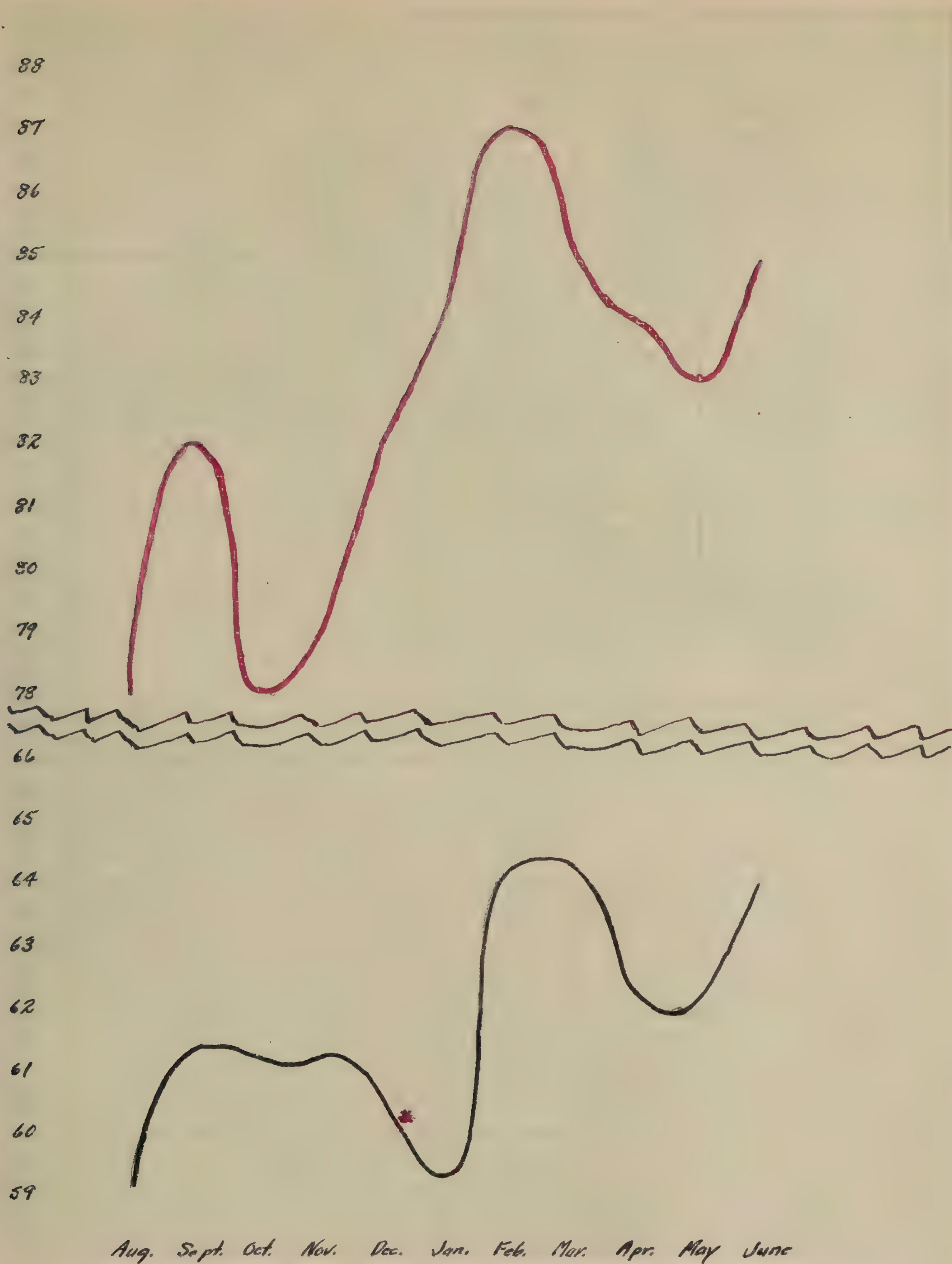
REYNOLDS SPRING CO. 1923



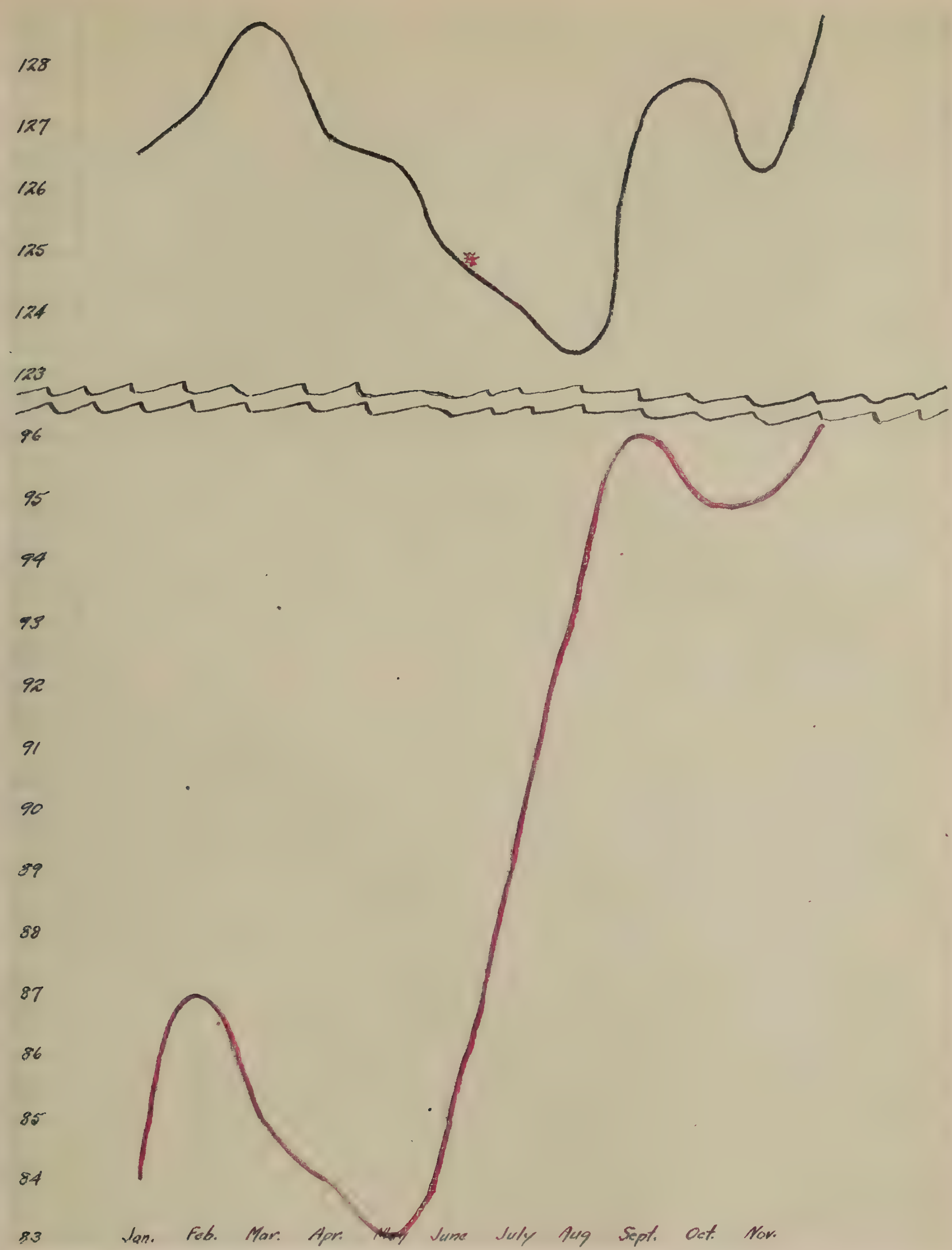
ASSOCIATED OIL 1923



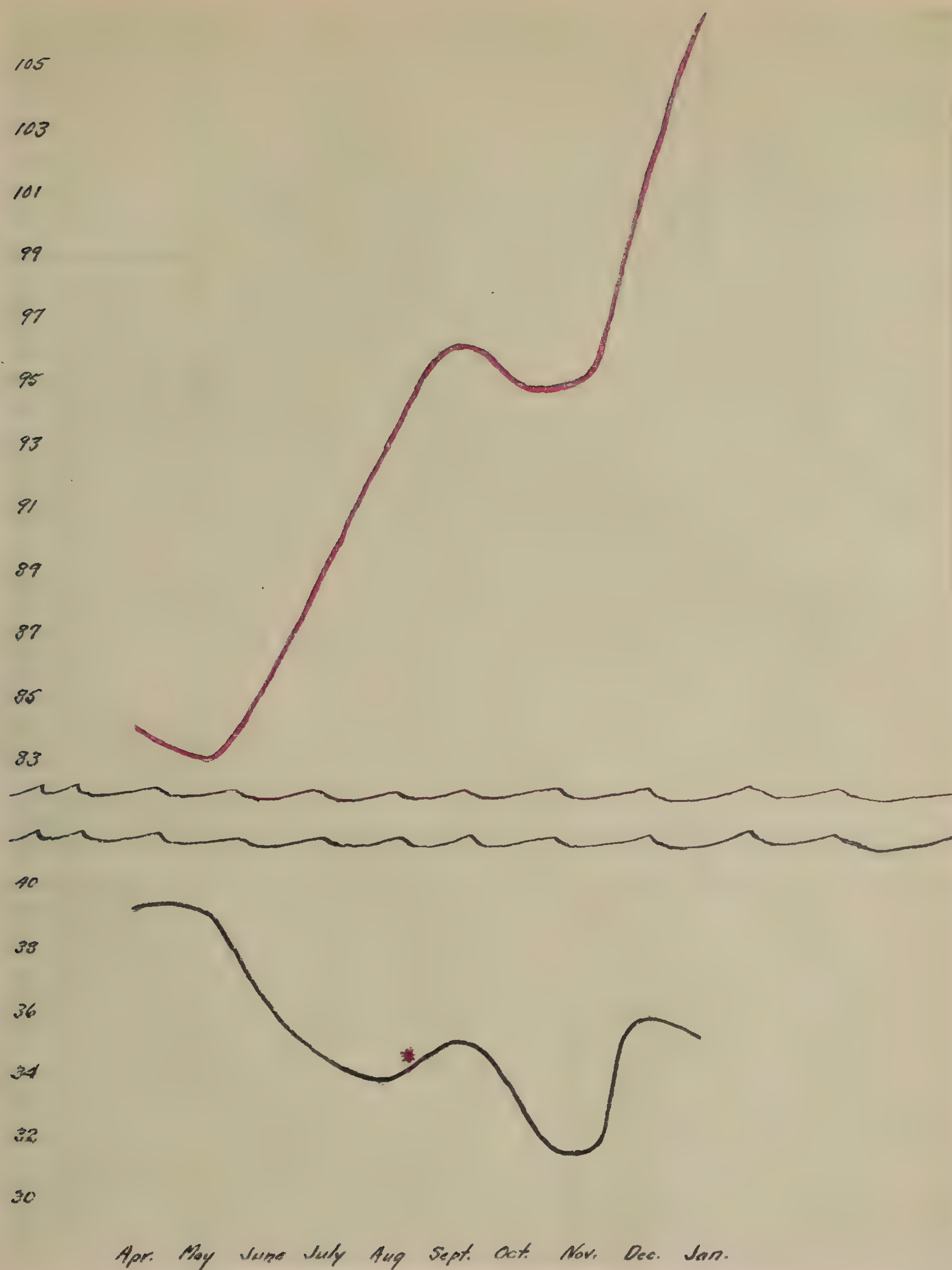
MIDDLE STATES OIL 1923



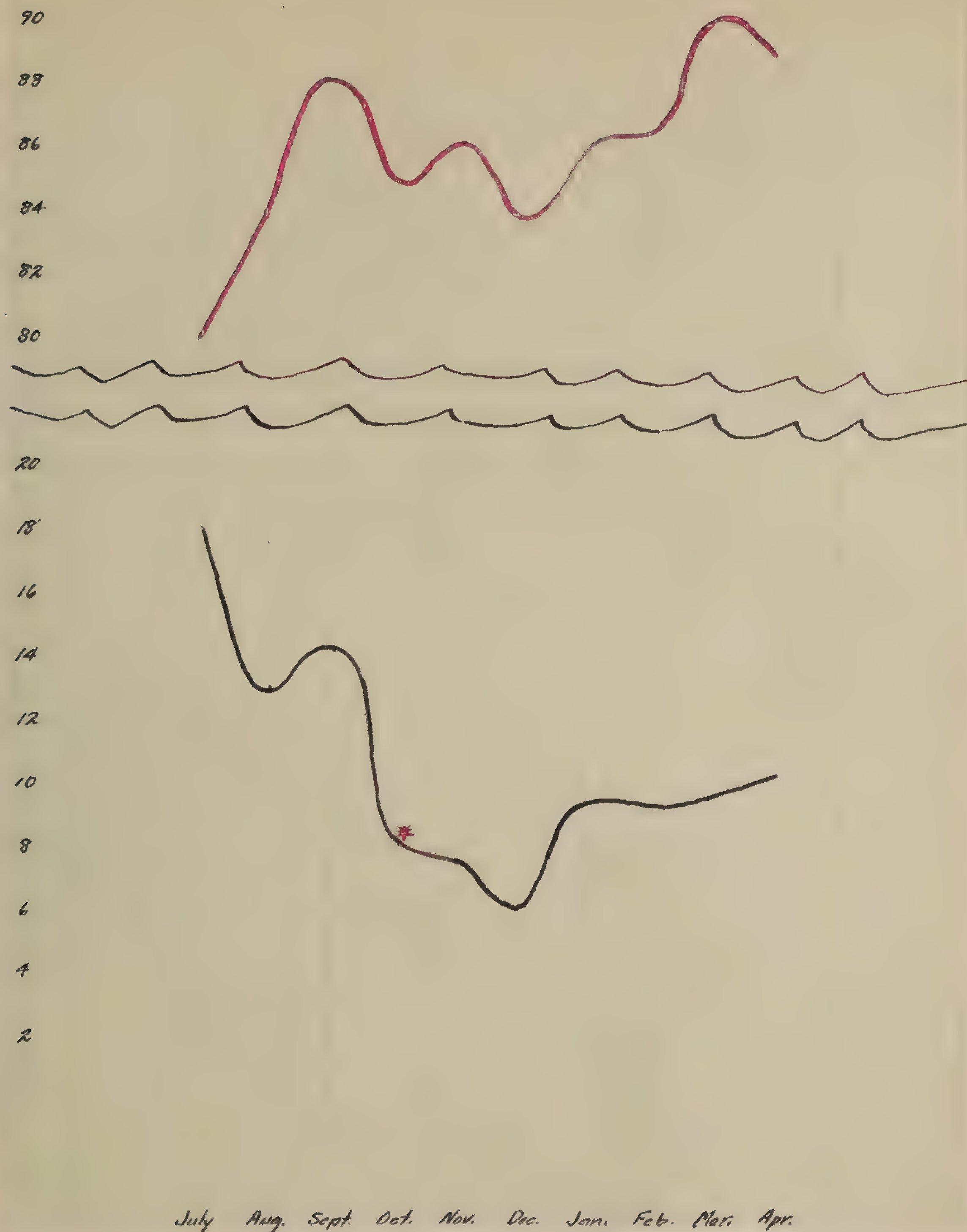
CONSOLIDATED GAS CO., N.Y. 1923



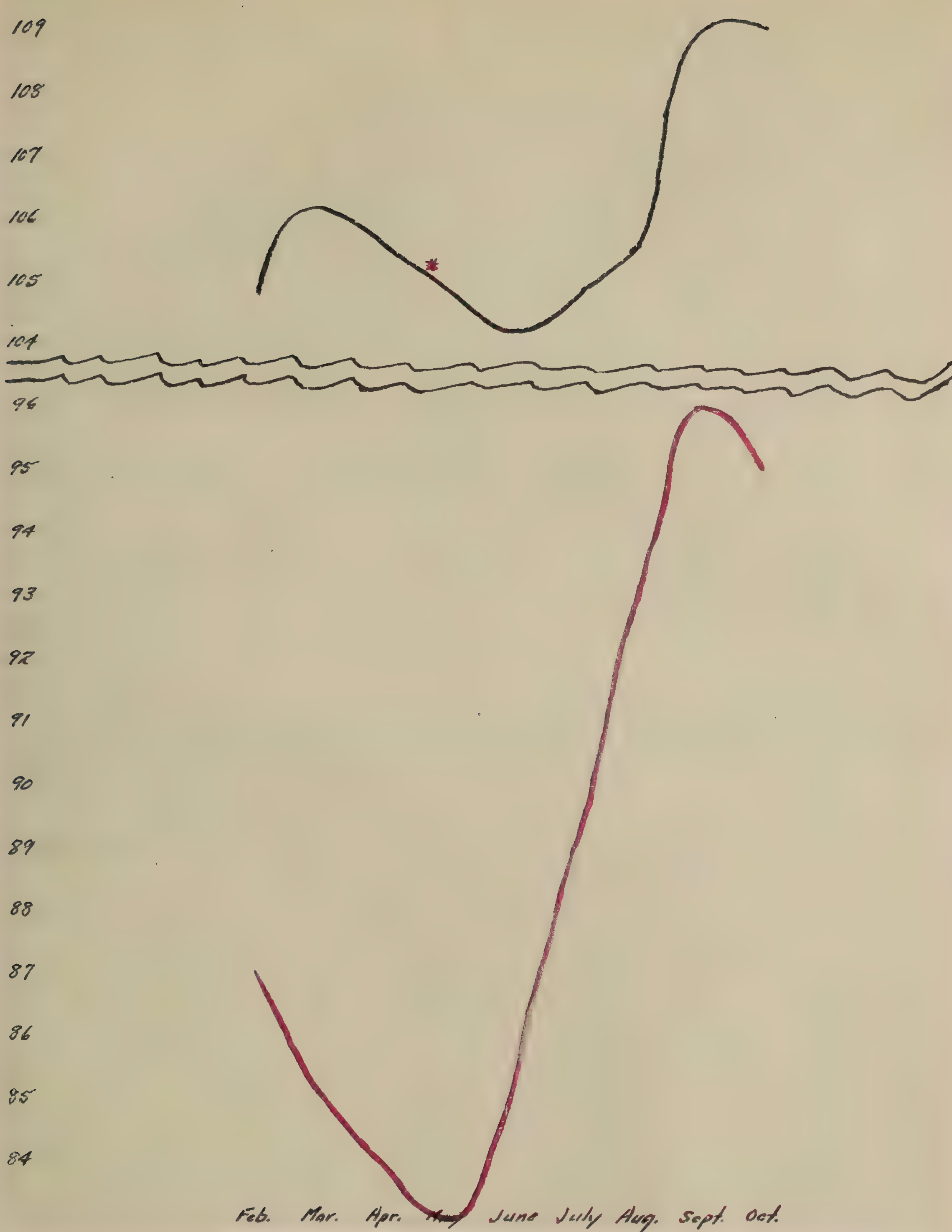
AMERICAN TEL. & TEL. CO. 1924



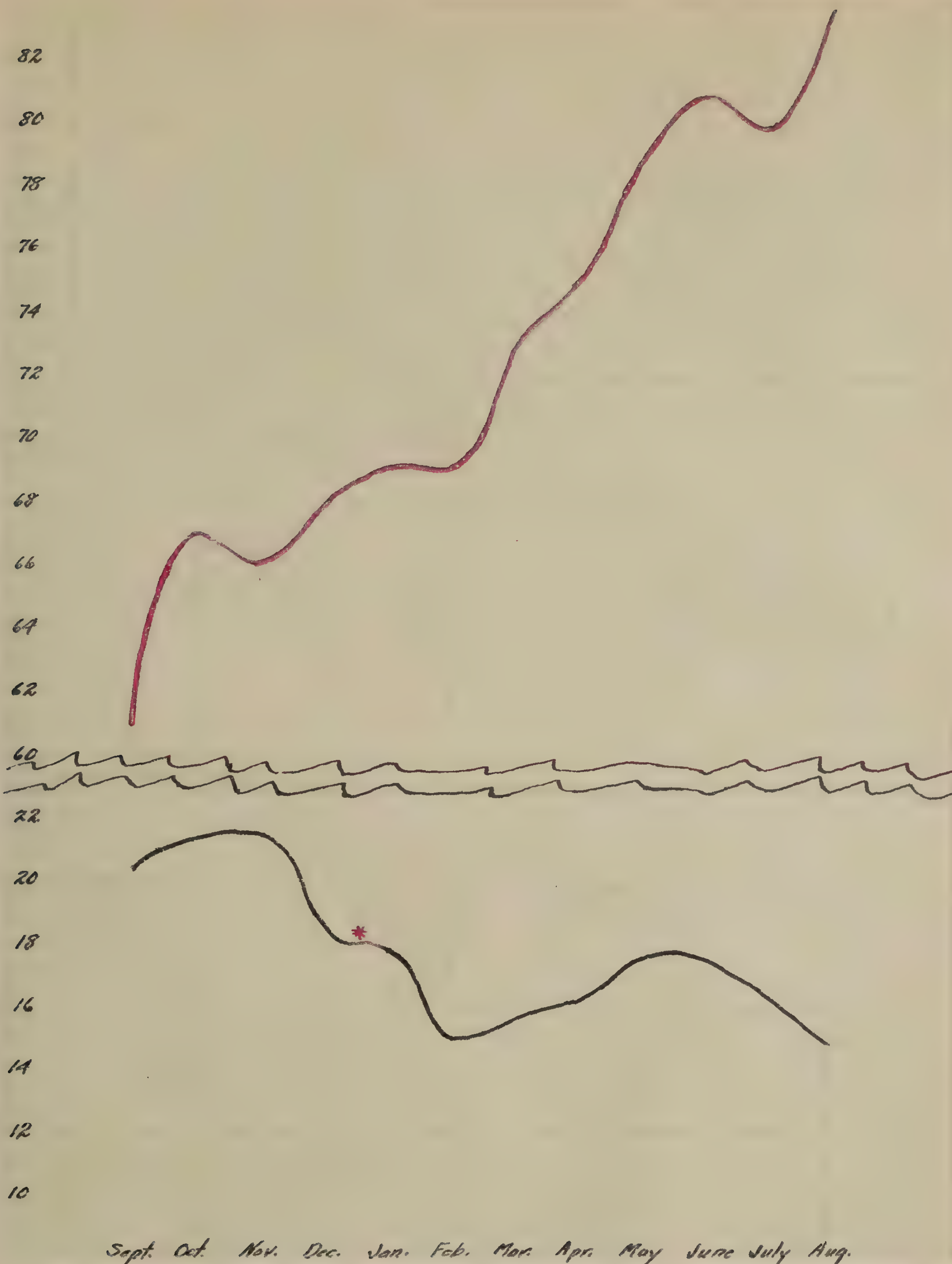
PHILLIPS PETROLEUM AUGUST 1924



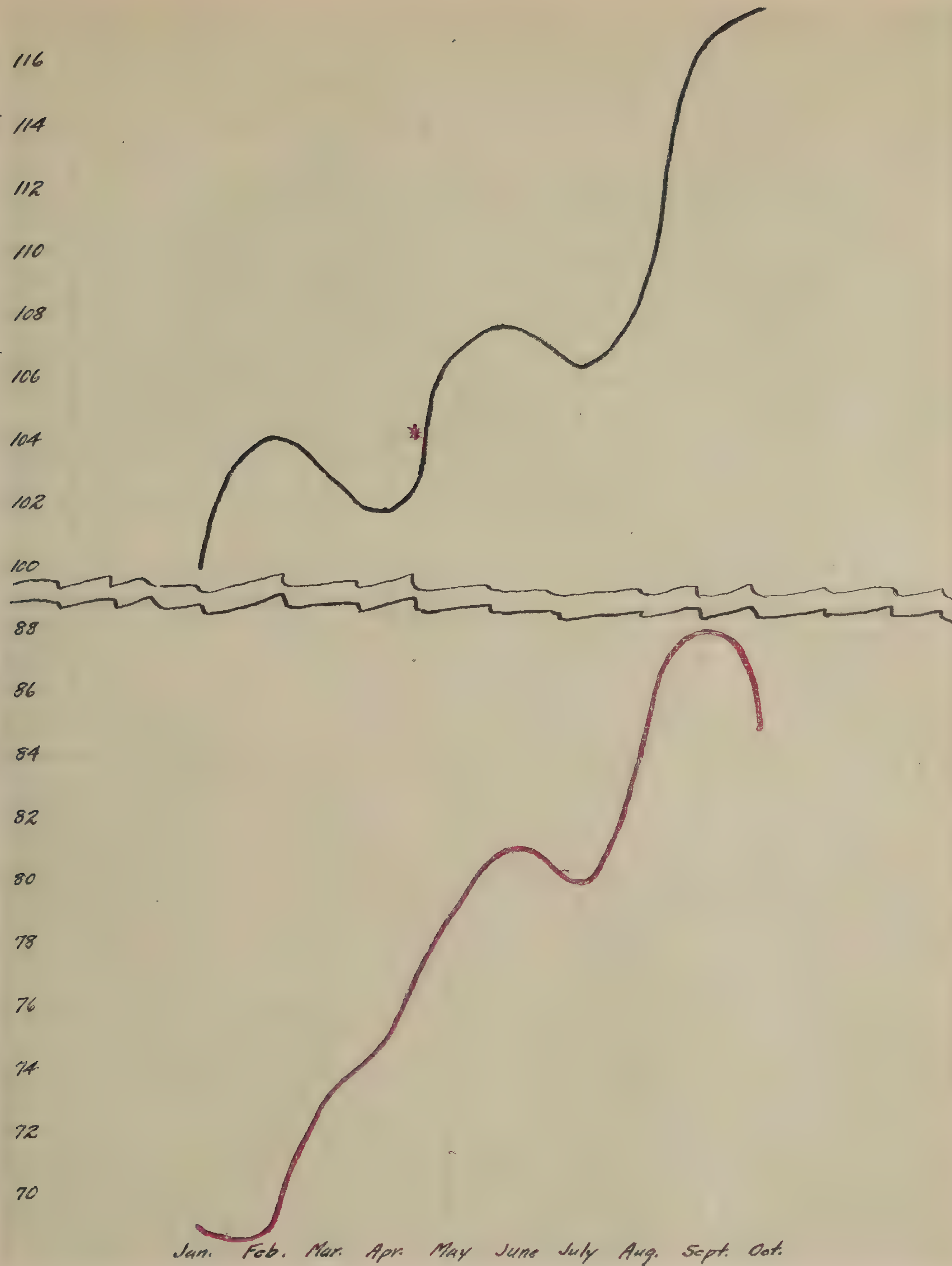
KEYSTONE TIRE & RUBBER CO. 1922



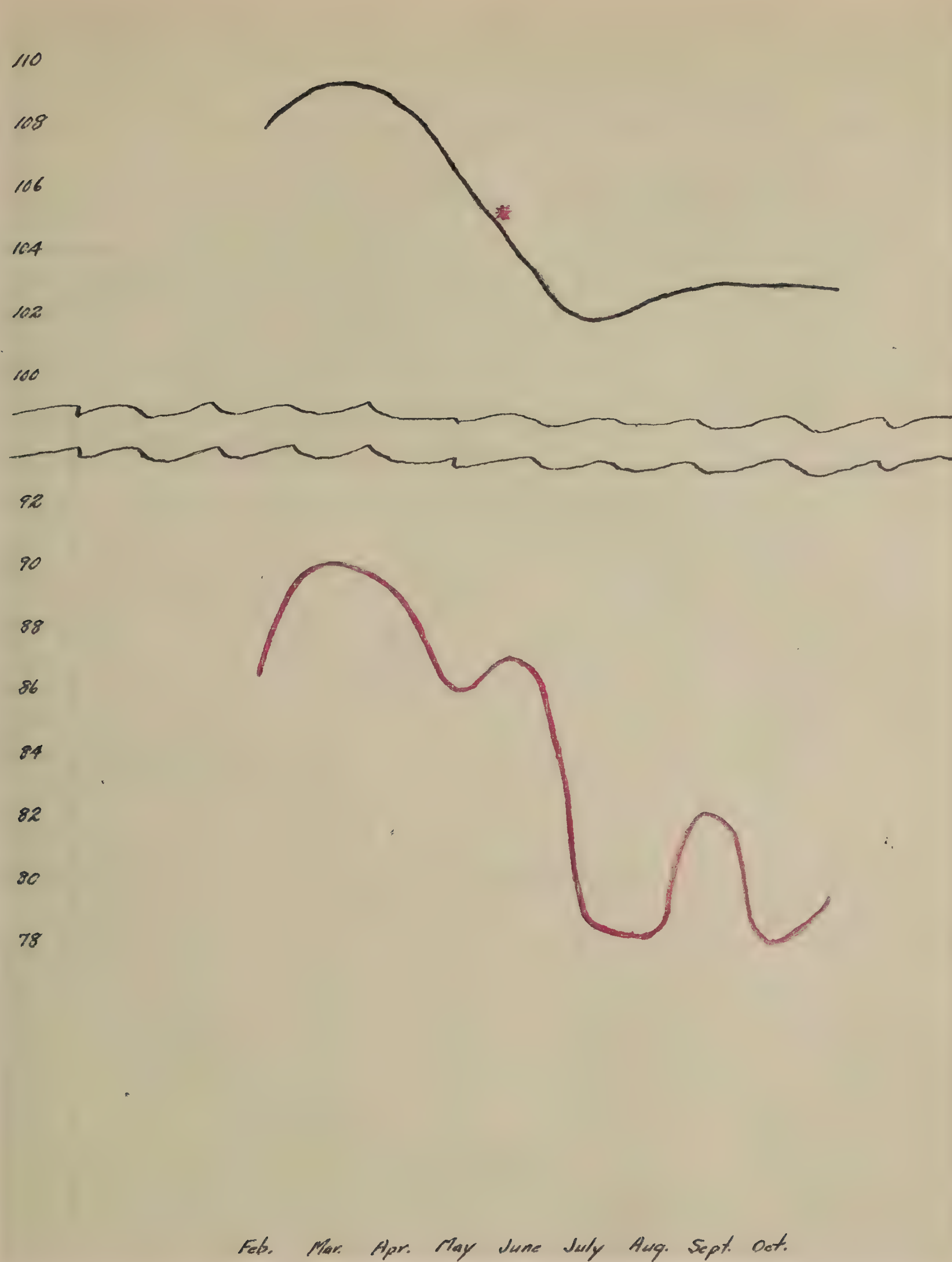
DETROIT EDISON 1924



AJAX RUBBER CO. 1922



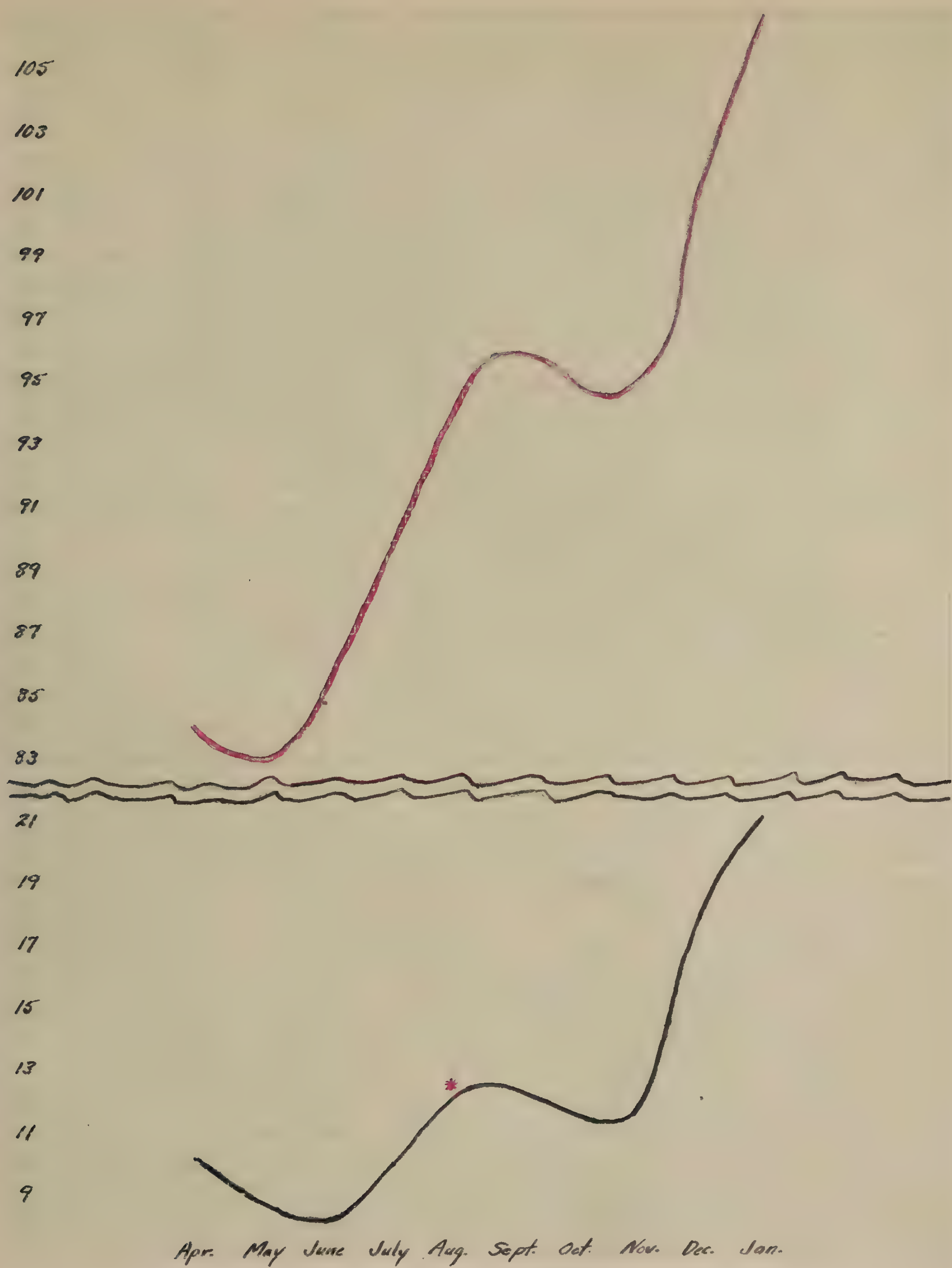
BROOKLYN EDISON 1922



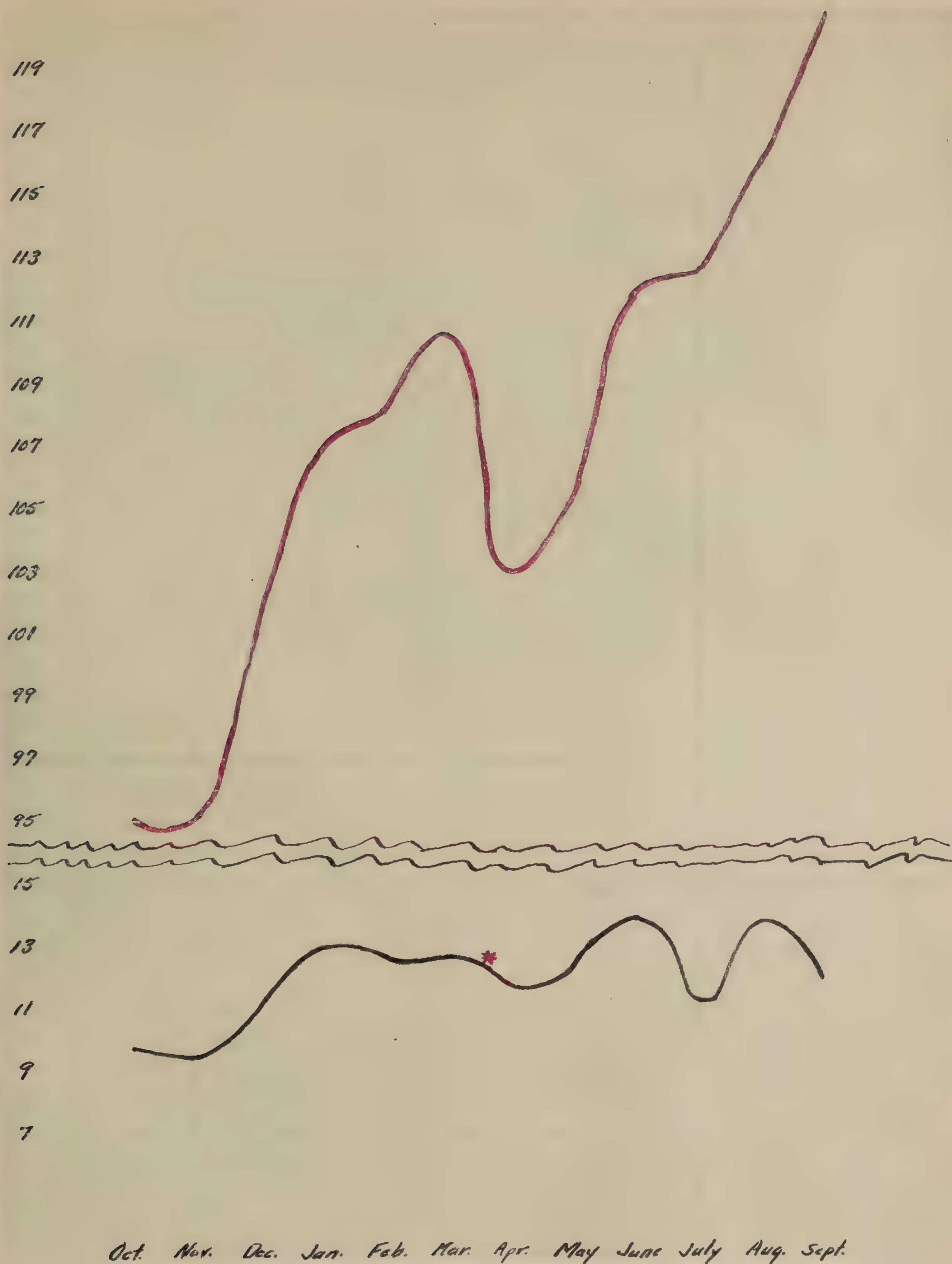
DETROIT EDISON 1923

THE DISCOUNTING OF RIGHTS

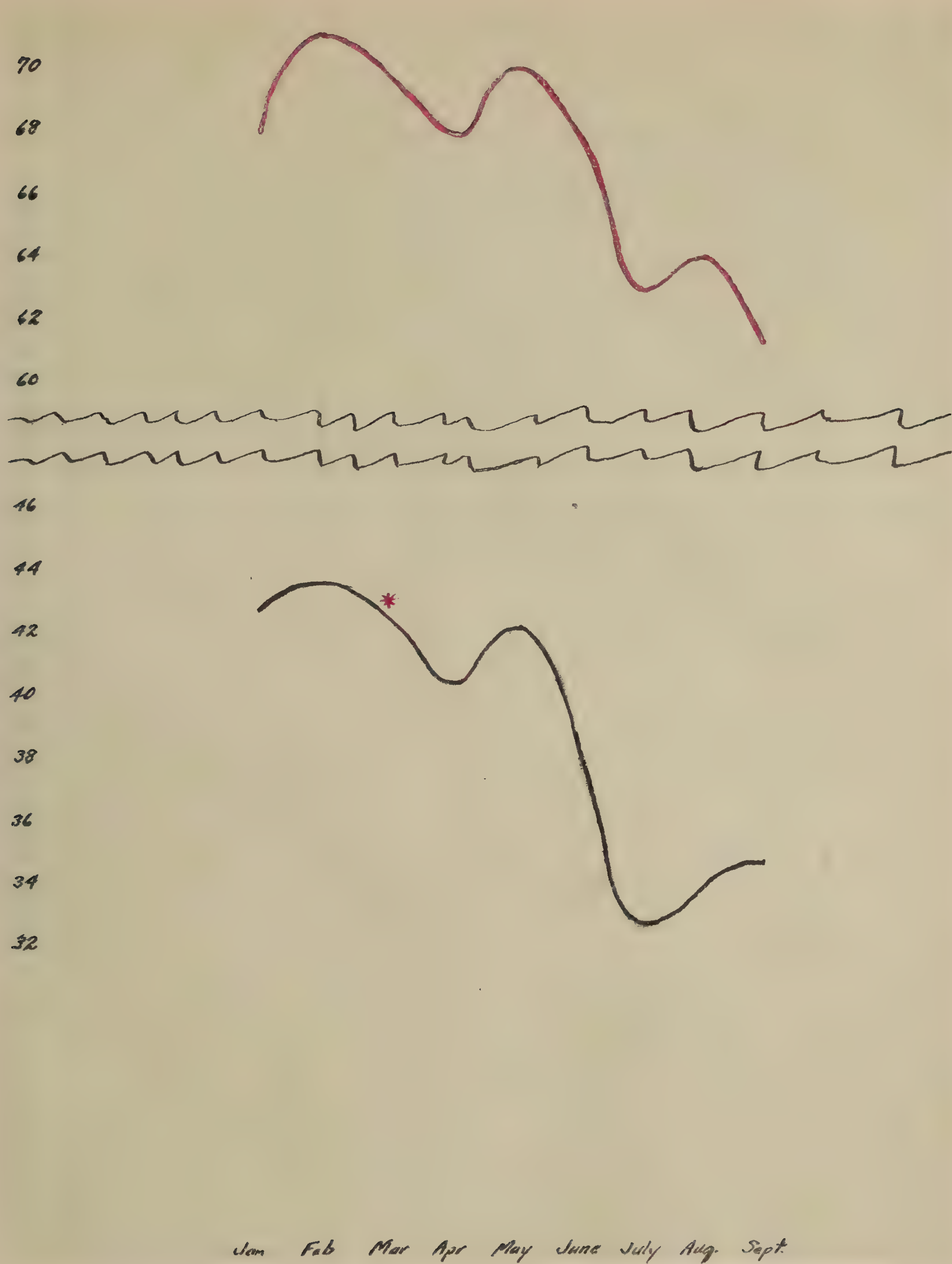
GROUP C



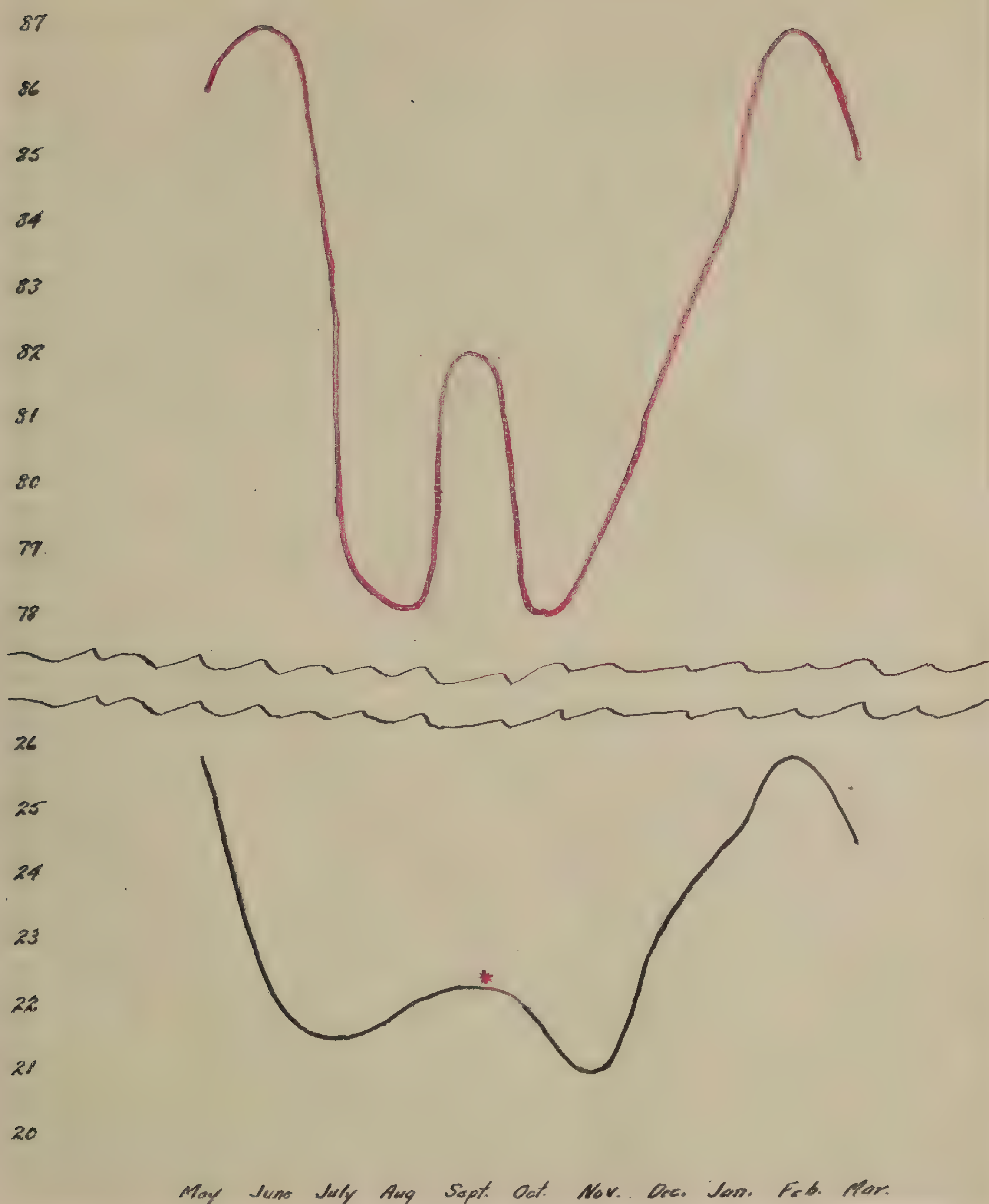
REPLOGLE STEEL CO. 1924



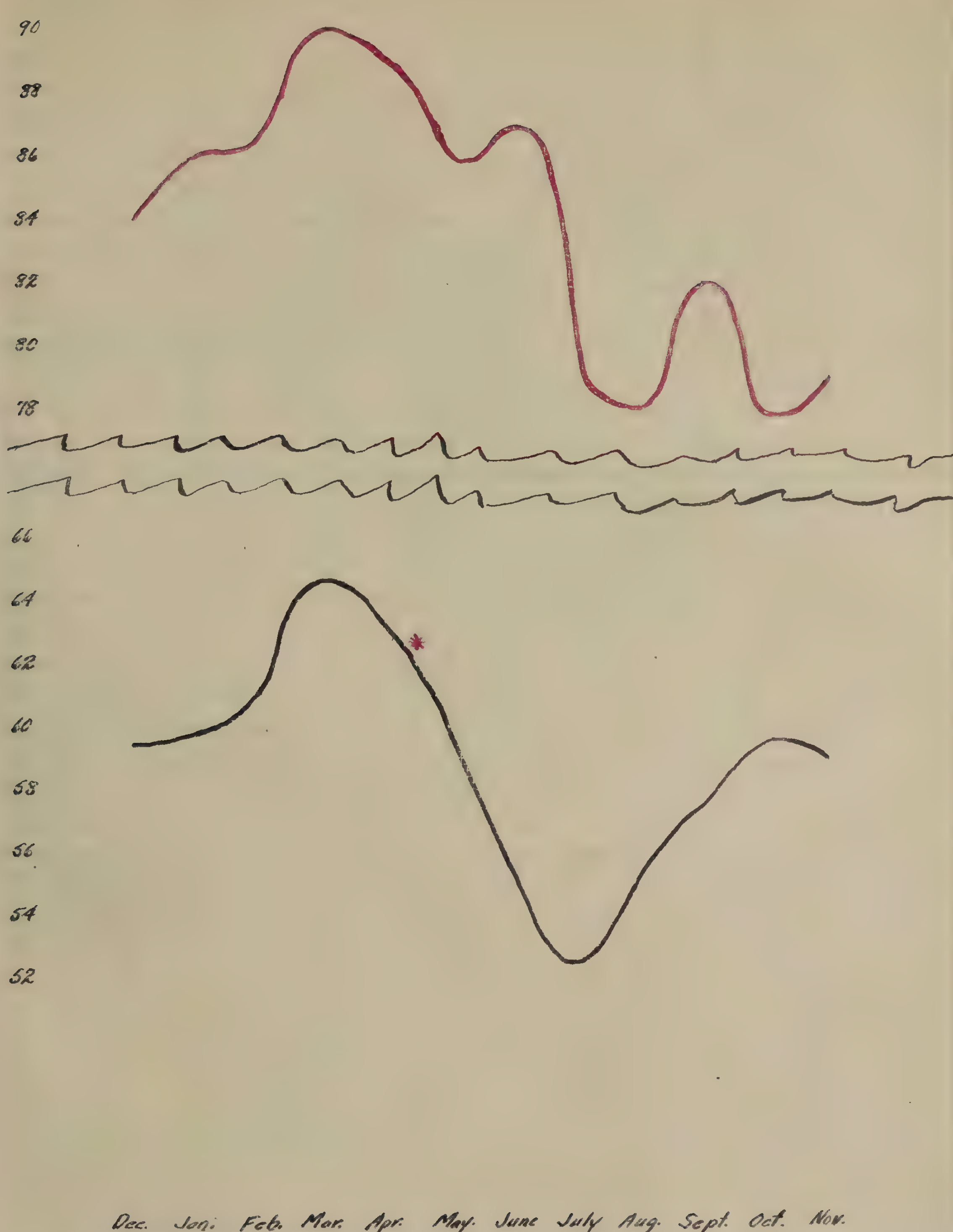
AJAX RUBBER COMPANY 1925



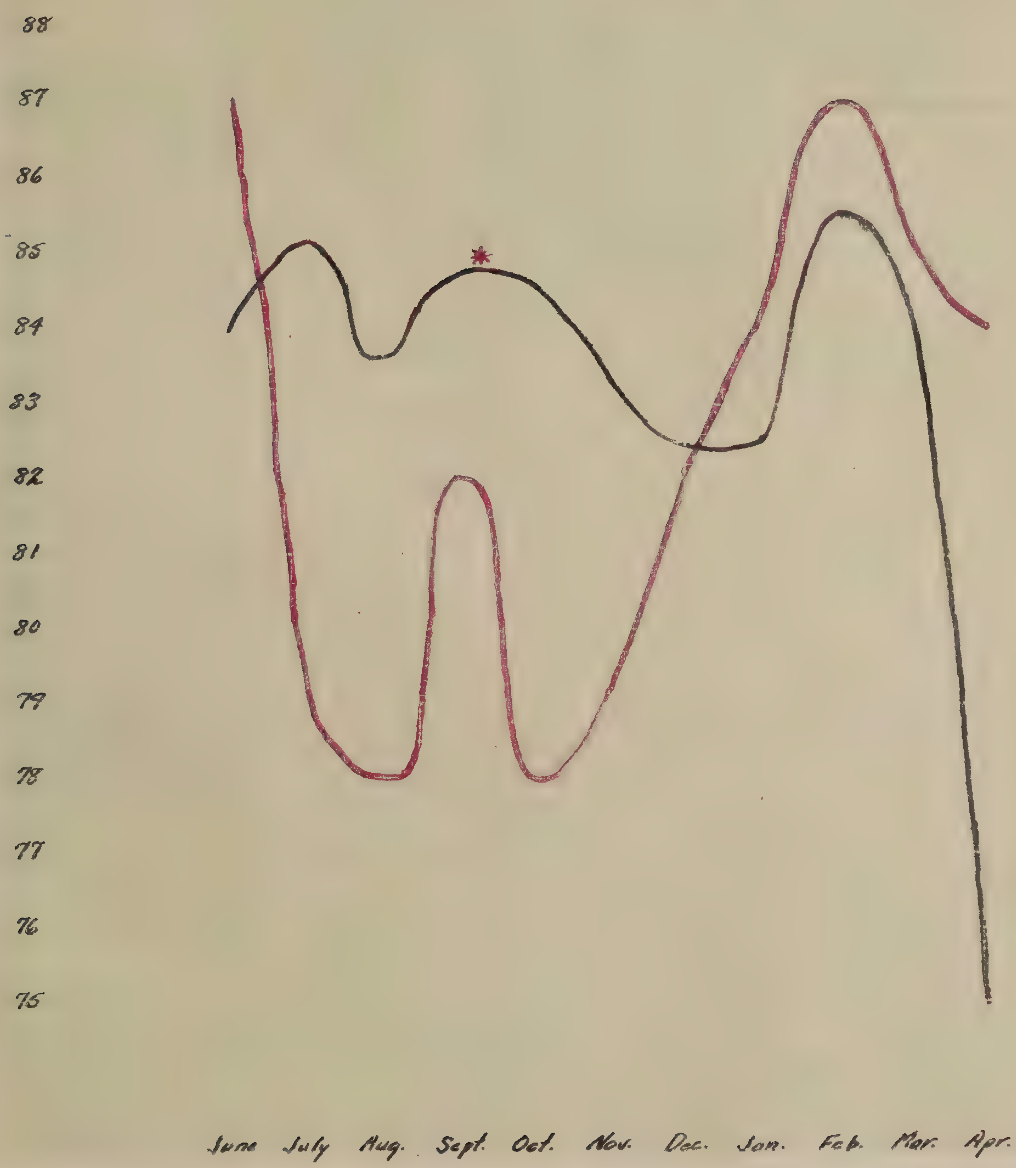
THE TEXAS COMPANY 1921



INT. COMB. MACH. CO. 1923



WESTINGHOUSE E. & M. Co. 1923



HARTMAN CORPORATION 1923

CHAPTER V

CONCLUSION

It is of interest to note that the largest number of privileged subscriptions are declared during times of prosperity; they are, in fact, one of the signs of a boom. This fact is borne out by comparing the number of rights quoted on the New York Stock Exchange during the past five years, as given in the table below:

Year	Number of Rights
1921	4
1922	30
1923	27
1924	31
1925	52

This is due to the fact that large surpluses are being accumulated as a result of the 'good times' and the market is of such a nature as to readily absorb new offerings. Also, prices are high and permit the issuance at figures which in comparison with the current market price, are low and thus creates an appeal to the "bargain-hunters".

Previous to about 1910 the privileged subscription was utilized chiefly by the railroads of the country rather than by the industrial concerns, but in recent years a change has developed, and the privileged subscriptions of industrials have been more numerous and frequent than in the case of railroads. Since 1920 only eight privileges have been extended

by railroads. The Illinois Central Railroad is the only road that has continued to use this method of raising capital. It extended the privilege of subscribing to Preferred Stock three times and one increase of Common since 1922.

Many public utility corporations which made extensions to meet the demands of the war began applying directly to their stockholders for capital rather than to bankers, and have maintained this policy up until the present time. The Public Service Corporation of New Jersey is a striking example of this. Since 1922 there have been few times when quotations of rights of this corporation have not appeared.

A corporation using the privileged subscription, in order to protect itself and to make certain that the stock offered will be taken, usually secures the insurance of the success of the issuance by means of an underwriting syndicate, made up of a group of investment bankers. This syndicate agrees to take up all the stock not subscribed for by the stockholders themselves. Consequently, if the market price of the stock declines to a figure below the subscription price, although few stockholders will exercise their rights, the corporation is sure of receiving the money it requires, as it will be paid by the syndicate, and the new stock taken over by it, to be sold later when a favorable opportunity presents itself. For assuming this risk the syndicate is paid a commission based upon the entire amount of stock offered, the usual rate being about two per cent. Should the entire allotment be subscribed for by the stockholders, the

syndicate, of course, is not required to take any stock, but should any remain unsubscribed the syndicate buys it from the corporation at the subscription price. There are few instances of late that the services of syndicates have not been used by corporations as a means of insuring the success of their offerings.

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